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C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
COURT. No.: 500-11-055122-184

S U P E R I O R C O U R T
Commercial Division

**IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT, RSC
1985, C C-36, AS AMENDED:**

**LE GROUPE SMI INC. / THE SMI GROUP
INC.**

- and -

**LE GROUPE S.M. INC. / THE S.M. GROUP
INC.**

- and -

CLAULAC INC.

- and -

SMi CONSTRUCTION INC.

- and -

ÉNERPRO INC.

- and -

**LE GROUPE S.M. INTERNATIONAL
(CONSTRUCTION) INC. / S.M.
INTERNATIONAL GROUP CONSTRUCTION
INC.**

Debtors

- and -

THE ENTITIES LISTED IN APPENDIX "A"

Mises-en-cause

- and -

ALARIS ROYALTY CORP.
and
INTEGRATED PRIVATE DEBT FUND V LP.

Joint Applicants

- and -

DELOITTE RESTRUCTURING INC.

Monitor

**THIRD REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR**

(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)

INTRODUCTION

1. On August 24, 2018, following the filing of a joint application (the "**Joint Application**") made by Alaris Royalty Corp. ("**Alaris**") and Integrated Private Debt Fund V LP ("**IAM**" collectively with Alaris, the "**Applicants**"), the Superior Court of Quebec (Commercial Division) (the "**Court**") rendered an Initial Order (as amended, the "**Initial Order**") , pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**" and the "**CCAA Proceedings**") in respect of each of the SMI Group Inc., The S.M. Group Inc., Claulac Inc., SMi Construction Inc., Énerpro Inc, S.M. International Group (Construction) Inc. (collectively, the "**Debtors**") and the entities listed in **Appendix A** (collectively, the "**Mises-en-cause**" and, together with the Debtors, the "**Company**" or the "**CCAA Entities**"), and a stay of proceedings was granted in their favour until September 21, 2018 (the "**Stay Period**").
2. As part of the Initial Order, Deloitte Restructuring Inc. ("**Deloitte**" or the "**Monitor**") was appointed to monitor the business and financial affairs of the Company pursuant to the CCAA, and LGBM Inc. (Mr. Paul Lafrenière) was appointed as Chief Restructuring Officer (the "**CRO**") for the Company.

PURPOSE

3. The purpose of this Third Report of the Monitor (the "**Third Report**") is to report to the Court with respect to:
 - i. The status of the CCAA proceedings;

- ii. The operations since the issuance of the Initial Order;
 - iii. The status of matters involving the Autorité des Marchés Financiers ("**AMF**") and other governance issues;
 - iv. Sale and investment solicitation efforts;
 - v. Overview of the Proposed Transaction (as defined below);
 - vi. Liquidation analysis;
 - vii. The proposed use and distribution of the Cash Purchase Price and assumption of debts;
 - viii. Priority charges over the Purchased Assets;
 - ix. Appointment of a receiver in respect of Les Services de Personnel S.M. Inc. ("**Personnel SM**");
 - x. Termination of the CRO's mandate and extension of the Monitor's powers;
 - xi. The CRO claims process;
 - xii. Financial performance and cash flow projections;
 - xiii. Request for an extension of the stay of proceedings; and
 - xiv. The Monitor's recommendation.
4. In preparing this Third Report, the Monitor has been provided with and has relied upon unaudited financial information, the Company's books and records, financial information and projections prepared by the Company and discussions with the Company's management team. While the Monitor has reviewed the information, some in draft format, obtained since he has been involved with the Company, the Monitor has not performed an audit or other verification of such information. Forward looking financial information included in the Third Report is based on assumptions regarding future events, and actual results achieved will vary from this information and the variations may be material.
5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the *Joint Application to Approve and Implement a Transaction* (the "**Application to Approve a Transaction**").
6. Copies of the relevant orders, procedures and reports in connection with the CCAA Proceedings are available on the Monitor's website at www.insolvencies.deloitte.ca/en-ca/sm-group. The Monitor has also established a toll free telephone number and an email address (groupe-smccaa@deloitte.ca) that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the CCAA Proceedings.

THE STATUS OF CCAA PROCEEDINGS

7. On August 24, 2018, the date of the Initial Order, the Monitor began monitoring the Company's cash flow. As part of this process, the Monitor, with the support of the CRO, has performed the following:
 - i. An analysis of all cash inflows and outflows originating from the Company's various bank accounts on a daily basis; and,
 - ii. A weekly analysis and comparison of all cash inflows and outflows to the cash flow forecast previously submitted in Appendix I of the Monitor's Second Report dated September 19, 2018 (the "**Monitor's Second Report**").
8. In the event where material variances were noted, the Monitor requested and received from the Company's accounting team detailed explanations allowing it to determine whether such variance had a permanent impact requiring the cash-flow forecast to be adjusted, or whether such variance was only temporary and would be corrected in the near future by the passage of time.
9. In accordance with the Initial Order, any disbursements which were to be made for services rendered to the Company subsequent to the date of the Initial Order, were submitted to the CRO for its review and, once approved by the CRO, were submitted to the Monitor for its approval.
10. In accordance with paragraph 18 of the Order Extending and Amending the Initial Order and Approving a Sale and Investor Solicitation Process dated September 21, 2018, the Monitor did execute banking transactions on behalf of the CCAA Entities in collaboration with the CRO.

THE OPERATIONS SINCE THE ISSUANCE OF THE INITIAL ORDER

Overview

11. The CRO, with the assistance of the Company's management team and in consultation with the Monitor and the Applicants, has continued to focus on stabilizing the Company's operations.
12. As indicated in the Monitor's Second Report, while there have been various issues with many customers and suppliers, the Company's operations have generally been maintained in the normal course without significant erosion. The CRO, in collaboration with the Company's management team, has been in discussions with many suppliers and business partners to re-establish supply arrangements and to negotiate credit terms under which suppliers will continue to provide goods and services during the CCAA Proceedings. In general, the suppliers have been supportive and have agreed to provide the Company with reasonable credit terms.
13. The business relationships and interaction between the various CCAA entities is summarized in chart entitled "Flow of Transaction" attached as **Appendix B** of this Third Report. The Monitor understands that such interaction has remained unchanged

following the initiation of the CCAA Proceedings. More specifically, the Monitor notes the following:

- i. Personnel SM has been incorporated in 1981 and has since been providing employee services to other entities of the group. Following changes in applicable legislation several years ago, Personnel SM has been able to continue providing engineering services despite it being a corporation (and not a partnership); and
- ii. the creation of The S.M. Group International LP ("**SM LP**") and its significant involvement in the business activities of the CCAA Entities are the result of a corporate reorganization that took place in 2013 and was a condition precedent to Alaris' significant investment in the business conducted by the other CCAA Entities.

Banking

14. Following the appointment of the CRO, as per the Initial Order, the Company made certain changes to its banking operations so as to remove some of the members of its management team as authorized signatories to the Company's bank accounts, and to add the CRO and the Monitor as authorized signatories.
15. Since the issuance of the Monitor's Second Report, the remaining signatories that were part of the management team were laid off. Consequently, the Monitor is currently making changes to the Company's banking operations so that the only authorized signatories will be the CRO and the Monitor, up until the termination of the CRO's mandate. Thereafter, the Monitor will further amend the authorized signatories to only the Monitor.

Customers

16. As indicated in the Monitor's Second Report, since the beginning of the CCAA Proceedings, the Company has continued to deal with its main customers, and has also been able to enter into a few new contracts with certain existing or new customers.
17. To the Monitor's knowledge, no customers have terminated their business relationship with the Company since the issuance of the Initial Order. However, as previously indicated to the Court, the CRO and the Monitor believe that the Company's ability to obtain new contracts is affected by the CCAA Proceedings, such that, a quick exit therefrom is the only way to minimize the impact that these CCAA Proceedings may have on the Company's business.
18. The Monitor is aware that some customers are holding back payments and is currently in discussions with these customers in order to accelerate said payments. In certain circumstances, where it was apparent to the Monitor that a quick resolution for payment would not be attained, the Monitor's legal counsel was asked to intervene and take the necessary action to assist with the collection of the monies owed to the Company with a view to ensuring that the Company has sufficient cash to keep operating during the CCAA Proceedings.

Vendors

19. The CRO, with the assistance of the Applicants and the Monitor and their respective advisors, continues to promptly address suppliers' concerns to ensure the continuity of the Company's operations.
20. As indicated in the Monitor's Second Report, members of management of the Algerian operations (SM Group International Algérie EURL) were contacted by the CRO and the Monitor in order to determine the potential negative impact, if any, of the CCAA Proceedings on the Algerian operations. Management of the Algerian operations indicated concerns with regards to, *inter alia*, the continuity of the Algerian operations, as well as their potential personal liability for any pre-petition debts, which may be owing by SM Group International Algérie EURL to its creditors. In order to minimize and mitigate any potential negative impact resulting from the CCAA Proceedings, the Monitor has decided to suspend indefinitely the issuance of the CCAA Notice to SM Group International Algérie EURL's creditors due to the consequences of the CCAA Proceedings not only on the operations but also on the members of the Algerian management team personally.
21. Based on the information available to the Monitor, as things currently stand, all post-filing debts of SM Group International Algérie EURL appear to be paid in the normal course.

Employee Related Matters

22. The employee-related payments have been made on a business as usual basis.
23. Since the issuance of the Initial Order, the CRO is in constant communications with the leaders of the various business units in order to share with them the status of the CCAA Proceedings, including the discussions surrounding the potential acquisition of the assets of the Company.
24. Since the issuance of the Monitor's Second Report, 28 employees were laid off. Certain employees were laid off due to the concerns raised by the AMF with regards to those certain specific employees and the remainder were laid off as a result of implementing the restructuring plan established by the CRO. These lay-offs were spread across all business units after a thorough review done by the CRO with the support of all the business unit leaders. During the CCAA Proceedings and until their termination, these employees, like all employees, were paid their normal accrued pay, and have been entitled to take vacation in the usual course. They have not and will not receive accrued vacation pay from Personnel SM, but the Application to Approve a Transaction seeks the appointment of a receiver, which will allow such terminated employees to file a claim pursuant to the *Wage Earner Protection Program Act* ("**WEPPA**") and obtain payment of the unpaid accrued vacation, either in full or in part.

THE STATUS WITH THE AMF AND OTHER GOVERNANCE ISSUES

25. As stated in the Joint Application, and outlined in the Monitor's Second Report, the Company provides engineering, consulting and other services in connection with, *inter alia*, various high profile public projects currently being performed in the Province of

Quebec, including, for instance, the construction of the new Champlain Bridge and the redevelopment of the Turcot Interchange.

26. In order to perform service or construction contracts or subcontracts with provincial public bodies, including cities and municipalities in the Province of Quebec, the Company is required to obtain and maintain various authorizations pursuant to an *Act Respecting Contracting by Public Bodies* (the "**Public Contracting Act**") and other applicable legislation (a "**Public Contract Authorization**"), provided the relevant contract is of a certain monetary value.
27. The AMF is the governing body responsible for delivering Public Contract Authorizations and has extensive discretion in deciding whether such authorizations should be granted or renewed. In that regard, the AMF is vested with broad powers to compel the production of information and documents it deems necessary for the exercise of its decisional powers and can rely on a specialized unit of the provincial anti-corruption police ("**UPAC**") to make verifications, whenever needed.
28. Following the filing of criminal charges against Mr. Bernard Poulin ("**Poulin**") as well as others in September 2017, the AMF initiated a process under the Public Contracting Act (the "**Revocation Process**") to revoke the Public Contract Authorizations granted to some of the CCAA Entities (the "**SM Authorizations**").
29. The Revocation Process was subsequently stayed by the AMF in order for the UPAC to complete its verifications in connection with the renewal of the SM Authorizations (the "**Renewal Process**").
30. As indicated in the Monitor's Second Report, numerous discussions took place between one of the Applicants' counsel and representatives of the AMF. During these discussions, it was agreed, amongst other things, that the AMF would provide the Company, the CRO and the Monitor with a prior notice of 30 days before taking any measures in connection with the Renewal Process. The Monitor, the CRO and the Applicants were optimistic that the AMF would renew the SM Authorizations once they had an opportunity to review the documents provided on September 12, 2018.
31. On October 9, 2018, the AMF sent a notice of refusal to renew the authorizations to contract with a public body ("**Notice of Refusal**"). In this Notice of Refusal, the AMF outlines the various reasons supporting their decision and advises some of the CCAA Entities (the "**Targeted Companies**") that the AMF could refuse to renew the SM Authorizations in conformity with paragraph 21.27 of the Public Contracting Act.
32. The AMF further indicated that, as per paragraph 21.37 of the Public Contracting Act, the Targeted Companies have 30 days (i.e. up to November 9, 2018) to provide the AMF with their observations in writing or provide additional documents to support their request before a decision is made. A copy of the Notice of Refusal is filed under confidential seal as Exhibit A-9 to the Application to Approve a Transaction.
33. On October 23, 2018, one of the Applicants' counsel sent a letter to the AMF ("**October 23rd Letter**") in order to address some of the concerns raised by the AMF in the Notice of Refusal. A copy of the October 23rd Letter is filed under confidential seal as Exhibit A-10 to the Application to Approve a Transaction.

34. Numerous discussions subsequently took place between of the Applicants' counsel and representatives of the AMF during which additional details were provided to the AMF about different aspects of the Proposed Transaction, including with respect to the transition that would take place until the AMF assesses and renders a decision regarding the request by the potential purchaser for a Public Contract Authorization.
35. On November 6, 2018, the AMF agreed to stay its decision with respect to the Renewal Process until 30 days after the AMF renders a decision regarding the request by the potential purchaser for a Public Contract Authorization. In consideration for such stay, the Applicants agreed to waive the conclusions of the Application to Approve a Transaction that would have extended the Stay Provisions to the SM Authorizations.

SALE AND INVESTMENT SOLICITATION EFFORTS

Sale Process

36. As indicated in the Monitor's First Report, on January 12, 2018, Deloitte was hired by the Company to conduct a separate mandate consisting of assisting the Company with a potential transaction involving the raising of capital by the Company, a refinancing or a divestiture.
37. As part of this mandate, Deloitte performed the following tasks:
 - i. In collaboration with the management of the Company, Deloitte prepared an overview of the Company ("**Teaser**") to be used to solicit initial interest in a potential transaction. A copy of the Teaser is attached as Appendix D to the Monitor's First Report and was filed under seal of confidentiality.
 - ii. Deloitte also prepared a confidential information memorandum ("**CIM**") intended for distribution and presentation to investors and purchasers providing sufficient detail and analysis about the business and the transaction opportunity to enable potential investors and purchasers to make an informed assessment as to their interest in participating in a transaction. A copy of the CIM is attached as Appendix E to the Monitor's First Report and was filed under seal of confidentiality.
 - iii. At the time, Deloitte established with the Company a list of 110 potential investors and purchasers, including national and international engineering firms and financial investors.
 - iv. During a period of approximately three (3) months, Deloitte solicited 110 parties, and 27 of them executed confidentiality agreements;
 - v. Following the signature of the confidentiality agreements, only three (3) potential investors submitted expressions of interest (each an "**EOI**"), one of whom was Thornhill Investments Inc. ("**Thornhill**"). The EOIs were not accepted since they did not meet the Company's expectations.
38. As indicated in the Joint Application, Thornhill then submitted an LOI on July 18, 2018 (the "**Thornhill LOI**"), which contemplated the sale of the Company's business on a going concern basis. Up until the issuance of the Initial Order, all requests by Thornhill

to conduct its due diligence in accordance with the Thornhill LOI were seemingly ignored by the Company and its management.

39. After the issuance of the Initial Order, the Monitor set up a virtual data room (the "**Data Room**") with relevant documents so that Thornhill (and eventually others) could perform its due diligence, subject to the execution of a non-disclosure agreement ("**NDA**"), which Thornhill signed on September 5, 2018.
40. Once the NDA was received, numerous discussions took place between Thornhill, the Applicants, the CRO and the Monitor regarding Thornhill's due diligence request and the requirement from the CRO and the Monitor that Thornhill submit a revised LOI to consider granting the proposed exclusivity rights of Thornhill.
41. On September 10, 2018, Thornhill submitted an amended LOI to the CRO (the "**Amended LOI**"), which provided for an exclusivity period ending on September 21, 2018. As reflected in the Amended LOI (attached as Appendix D to the Monitor's Second Report and filed under seal of confidentiality), the CRO and the Monitor acknowledged receipt of the Amended LOI and agreed to certain terms, including cooperating with Thornhill in the completion of its due diligence, granting exclusivity rights to Thornhill for an additional limited period and undertaking to negotiate a customary purchase agreement and purchase price in the event an agreement was reached. In addition, the Amended LOI included certain revisions to business terms and conditions.
42. Since September 6, 2018, based on the exclusivity terms disclosed to the Court at the time of the hearing on the Joint Application provided for in the Amended LOI and disclosed to the Court at the hearing approving the SISP (as defined below), Thornhill continues to be the only party with access to the Data Room.
43. However, during this exclusivity period, as extended and discussed below, the CRO with the support of the Monitor and the Company's management team continued preparatory work in connection with the launch of a sale and investor solicitation process ("**SISP**"), which included finalizing the following:
 - i. The consolidated financial results of the Company for Fiscal 2016, Fiscal 2017 and for the 6-month period ended on June 30, 2018;
 - ii. A detailed analysis of the Company's work in progress and accounts receivables in order to determine the level of provision that had to be taken to reflect the actual financial results of the last few years;
 - iii. The segregation of the Company's financial results per business unit with a view of determining an adjusted EBITDA per division;
 - iv. The identification of various cost cutting measures, which would allow the CRO to determine an adjusted EBITDA (for either a transaction with Thornhill or the eventual SISP);
 - v. The preparation of a teaser letter ("**Teaser Letter**"), which would be sent to all parties that contacted the CRO or the Monitor since the issuance of the Initial Order;

- vi. The preparation of an amended NDA ("**Amended NDA**"), which would also be sent to all parties that contacted the CRO or the Monitor;
 - vii. The preparation of an amended CIM, which would be sent once the SISP process was initiated.
44. On October 3, 2018, the Teaser Letter, the Amended NDA and the acknowledgment of the SISP ("**Acknowledgment SISP**") were sent to all parties who communicated with the Monitor or the CRO in anticipation of the SISP process commencing in the event Thornhill did not submit a bid. A copy of the Teaser Letter, the Amended NDA and Acknowledgment SISP are attached as **Appendices C, D** and **E** of this Third Report. A total of 14 parties received such documents.
45. As part of its due diligence, Thornhill also required the financial information by business unit that was prepared in anticipation of the SISP. As a result, the Monitor and the CRO provided it with this information, and agreed, with the support of the Applicants, to delay the commencement of the SISP and extend Thornhill's exclusivity to October 10, 2018, so that it could complete its due diligence in light of the availability of this newly prepared information. On September 28, 2018, the Monitor, in accordance with the SISP, sent to the Service List and posted on the Monitor's website a Notice of Postponement of the SISP Commencement Date and Bid Deadline.
46. On October 9, 2018, Thornhill submitted a new letter of intent (the "**LOI**") contemplating a purchase of substantially all of the assets used in the operation of the Business, subject to its continued due diligence requests regarding the assets held by each of the CCAA Entities.
47. On October 12, 2018, the Monitor issued an additional Notice of Postponement of the SISP Commencement Date and Bid Deadline and extended the exclusivity period to October 17, 2018, in order to allow Thornhill and the Company to finalize a term sheet.
48. On October 13, 2018, the CRO, on behalf of the CCAA Entities, and Thornhill entered into a binding term sheet ("**Term Sheet**") setting out the essential terms and conditions of a sale transaction, to which the Monitor and the Applicants intervened and which was subject to certain customary conditions precedent relating to continued due diligence of information being provided to Thornhill in "real time" by the CRO and the Monitor. The Term Sheet required that these conditions precedent be waived by 10 a.m. on October 16, 2018 and Thornhill waived these conditions precedent within the required timeframe.
49. As a result, on October 17, 2018, the Monitor issued an additional Notice of Postponement of the SISP Commencement Date and Bid Deadline.
50. The Term Sheet contained a financing condition that Thornhill had to waive prior to 5:00 p.m. on October 22, 2018. Thereafter, Thornhill was required to pay the deposit in the amount of \$500,000 within one business day of its waiver of the financing condition. The financing condition was waived on October 22, 2018 and the deposit was paid to the Monitor on the same day.

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51. Following the waiver mentioned above, the Term Sheet remained subject to certain closing conditions including the issuance by this Court of an *Approval, Vesting, Distribution and Priority Charges Order* (the "**Proposed Vesting Order**").
52. In light of the foregoing, taking into account the current cash flow position of the Company and in the interest of preserving the Company's value and lowering the risk that customers would terminate material contracts, the CRO, in consultation with the Monitor and the Applicants, negotiated and entered into an Asset Purchase Agreement with Thornhill on an expedited basis.
53. The Asset Purchase Agreement (the "**APA**") was executed on October 31, 2018 between 11017870 Canada Inc., Thornhill G.P. and 11054953 Canada Inc. (collectively, the "**Purchaser**"), Thornhill as guarantor of certain payment obligations, and the CRO, on behalf of The SMI Group Inc., The S.M. Group Inc., Claulac Inc., SMi Construction Inc., Énerpro Inc., S.M. International Group (Construction) Inc., SM LP, Enerpro LP, The S.M. Group (Ontario) Inc., Aménatech Inc., Labo S.M. Inc., S.M. Industrial Consultants Inc., S.M. Consultants Inc., The S.M. Group International Inc., CSP Security Consulting Inc., The S.M. Group International (S.A.) Inc., Le Groupe S.M. International (Construction) EURL, SM Saudi Arabia Co Ltd., The S.M. Group International SARL, The S.M. Group International Algérie EURL, S.M. United Emirates General Contracting LLC, SMi-Enerpro Green Fund GP Inc., SMi-Enerpro Green Fund LP and 9229-4263 Québec Inc. (collectively, the "**Vendors**"), pursuant to which substantially all of the assets of the Vendors with the exception of certain excluded Assets (the "**Purchased Assets**") are to be sold to the Purchaser (the "**Proposed Transaction**"). A copy of the APA is attached under seal as Exhibit A-8A to the Application to Approve a Transaction.
54. The Monitor is of the view that the Proposed Transaction:
- i. Represents a fair and reasonable value considering, among other things, the outcome of the sale process previously undertaken by Deloitte described above, the mismanagement of the Company and the resulting poor financial results of the Company over the last few years;
 - ii. Brings much needed stability to the operations of the Company by disclosing to the market that a solvent purchaser will take over the operations;
 - iii. Allays many of the concerns raised by customers and the employees regarding the future of the business of the Company and takes into account the requirements and concerns of the AMF.
55. The Monitor has reviewed the earnings multiple used in the valuation of the Proposed Transaction and has concluded that it is reasonable in the circumstances.

Monitor's View of the Sale Process

56. The Monitor is of the view that, through the pre-filing sale process described above, the market was adequately tested for several months and that the Proposed Transaction is the best option available to the Company in the circumstances.

57. The Monitor believes that it is highly unlikely that launching the SISP in the context of these CCAA Proceedings would result in any offer being received that would be materially better than the Proposed Transaction. Moreover, the Monitor is of the view that any delay will likely cause significant erosion of value of the assets of the Company because the Company is less likely to be able to attain new long term customer contracts in the CCAA Proceedings and risks customers asserting self-help remedies and terminating contracts. Lastly, given the recent Notice of Refusal, extended CCAA Proceedings without the certainty of a transaction would also create important risks regarding the Company's ability to maintain the SM Authorizations and losing such authorizations would have a significant, negative and irreparable impact on the value of the assets of the Company.
58. In addition, as discussed below, the Company has used the full amount available under the Interim Facility (as defined in the Initial Order) to fund the CCAA Proceedings and its operations thereunder to date and is now left with little, if any, liquidity. The CCAA Entities have been unable to secure any additional interim financing and significant additional financing would be required to continue to operate in the CCAA Proceedings for a prolonged period without the approval of the transaction contemplated under the APA.
59. Based on the foregoing and the observations of Deloitte since its involvement in January 2018 as financial advisor to the CCAA Entities, the Monitor supports the Proposed Transaction.

OVERVIEW OF THE PROPOSED TRANSACTION

Asset Purchase Agreement

60. The following provides a high level summary of the Proposed Transaction under the APA. Capitalized terms used in this section of the Report and not otherwise defined shall have the meaning ascribed to them in the APA.
61. The APA provides that the Purchaser shall purchase the Purchased Assets from the Vendors on an "as is, where is" basis, free and clear of all encumbrances.
62. The APA provides that the purchase price (the "**Purchase Price**") for the Purchased Assets is payable by the Purchaser on the Preliminary Closing Date in the following manner:
- i. a certain portion payable in cash (the "**Cash Purchase Price**");
 - ii. the assumption by the Purchaser of a signification portion of the debt owed by the Vendors to the Applicants (the "**Assumed Debts**"); and
 - iii. the assumption by the Purchaser of certain of the Vendors' liabilities (the "**Assumed Liabilities**").

The Purchase Price is described in greater detail in **Appendix F** to this Third Report, filed with this Court under confidential seal. The Term Sheet reflecting the terms of the Assumed Debts (subject to the conclusion of a Credit Agreement) is attached as **Appendix G** to this Third Report, filed with this Court under confidential seal.

63. As set out above, the Monitor received a deposit on October 22, 2018 in the amount of \$500,000, which shall be applied against the Cash Purchase Price on the Preliminary Closing Date.
64. In order to effectively continue the business of the Company, the Purchaser has to obtain a Public Contract Authorization (the "**AMF Authorization**"), which is expected to take a few months and accordingly, the APA provides for a two-step closing of the Proposed Transaction:
 - i. The Preliminary Closing is expected to occur on or before November 9, 2018, and in any event, no later than five (5) business days after the date that the conditions provided for in the APA for the Preliminary Closing are satisfied and no later than November 14, 2018 (the "**Preliminary Closing Date**"); and
 - ii. The Final Closing will occur once the Purchaser has obtained its Public Contract Authorization, and no later than five (5) business days after the conditions provided for in the APA for the Final Closing are met (the "**Final Closing Date**").
65. In light of this structure, the Proposed Transaction contemplates a transition period between the Preliminary Closing Date and the Final Closing Date (the "**Transition Period**"), during which time the contracts, including the Public Contracts being assigned pursuant to the APA will continue to be performed by the Vendors, under the direction and control of the Monitor, the whole pursuant to the TSA (as defined below), which is to be executed at the Preliminary Closing.
66. The Proposed Transaction is subject to the approval of this Court, as well as the following conditions to be met by the Preliminary Closing:
 - i. a Transition Services Agreement (the "**TSA**") executed by the Vendors, the Purchaser and Deloitte in its capacity as (proposed) receiver of Personnel SM;
 - ii. the execution of a Transition Financing Agreement (the "**Transition Financing Agreement**") executed by the Purchaser and the Applicants; and
 - iii. an Assignment and Assumption of Debt Agreement (the "**Assumption Agreement**") executed by the Purchaser and the Applicants.
67. The Business Contract Proceeds are transferred to the Vendor on the Preliminary Closing Date subject to the terms of the APA and the TSA.
68. The Final Closing is conditional upon, among other things:
 - i. the Purchaser obtaining its AMF Authorization;
 - ii. obtaining the Assignment Order;
 - iii. All consents to the assignment of the contracts assigned at the Final Closing, to the extent obtained by the Vendors prior to closing; and

- iv. The payment or assumption of all cure costs in respect of contracts assigned at Final Closing.

Transition Services Agreement

69. The TSA provides, *inter alia*, as follows:

- i. a portion of the Cash Purchase Price up to \$2,158,000 will be made available to finance the Company's obligations during the Transition Period and will later be reimbursed by the Purchaser in accordance with the Transition Financing Agreement;
- ii. the Vendors shall conduct their business in accordance with past and current practices and under the control of the Monitor, with the Purchaser being granted certain rights such as access to any leased premises or equipment being occupied or used by the Vendors;
- iii. Personnel SM will be placed in receivership and will continue to provide Employees to the Vendors in order for them to perform the contracts relating to the Business ("**Business Contracts**");
- iv. the Vendors shall use the revenues of the business to cover the costs associated with performing the Business Contracts. Additional operational costs will be covered by the Transition Financing Agreement and by the Purchaser in accordance with the applicable agreements.

70. As described in the Application for Approval of the Transaction, once the Purchaser has obtained the AMF Authorization and the Assignment Order has been obtained, the Final Closing will occur, at which point the Vendors will convey the balance of the Purchased Assets and assign the Business Contracts to the Purchaser.

71. As part of the Final Closing, the Purchaser will identify employees to whom it intends to offer employment (the "**Selected Employees**") and shall provide a definitive list to the Monitor, which shall include a significant portion of the current workforce.

72. With respect to the Selected Employees, the Monitor understands that the Purchaser will recognize the past service of the Selected Employees that accept employment. The Monitor has been informed that the Purchaser is considering recognizing Selected Employees' vacation pay based on the existing vacation bank up to a maximum period of 12-months from the last anniversary date of employment of the Selected Employees, less any amounts that could be received for unpaid vacation under the WEPPA.

LIQUIDATION ANALYSIS

73. In order to assess the reasonableness of the value offered by the Proposed Transaction, the Monitor has prepared an estimate of the proceeds available to creditors if the assets of the CCAA Entities were liquidated.

74. In order to determine the liquidation value of the assets in the various entities of the Company, the Monitor reviewed where the assets were located on an entity by entity basis and identified the following:
- i. The entities within the Company that are parties to the various contracts (and consequently, that have accounts receivables) are as follows:
 - a) Les Consultants S.M. Inc.;
 - b) Labo S.M. Inc.;
 - c) Le Groupe S.M. International Inc.;
 - d) CSP Consultants en sécurité Inc.;
 - e) Faciliop Experts Corp.;
 - f) Claulac Inc.;
 - g) Les Consultants Industriels S.M. Inc.;
 - h) Aménatech Inc.;
 - i) Groupe S.M. (Ontario) Inc.;
 - j) Enerpro Inc.;
 - k) Enerpro LP; and
 - l) Le Groupe S.M. Inc.
 - ii. The work performed under these contracts and signed by the above-mentioned entities is performed by the following two entities only and therefore these two entities have the work in process ("**WIP**"):
 - a) Enerpro LP; and
 - b) S.M. Group International LP.
 - iii. The vast majority of the employees are employed by Personnel SM (630 employees), with some employees in Enerpro LP (40 employees) and S.M. Group International (S.A.) Inc. (1 employee). As highlighted by the Flow of Transaction (Appendix B to this Third Report), Personnel SM funds periodical payroll obligations through advances made by S.M. Group International LP in consideration for the services provided by its employees to the CCAA Entities. Personnel SM has no assets other than certain advances to employees, minimal cash and unsecured intercompany receivables owed by some of the CCAA Entities, whose assets are secured in favour of Alaris and IAM.
75. As a result, all the accounts receivables are in the entities listed in paragraph 74(i) while the WIP is in the entities listed in paragraph 74(ii). Due to the nature of the

Company's business, these two categories of assets, along with the intellectual property which is principally held by SM Group Inc. and SM LP, represent the most significant assets of the Company. The Monitor is of the view that these categories of assets, given their nature and the nature of the business, would lose significant value in a liquidation scenario.

76. Considering that the majority of the assets of the Vendors are subject to the security of Alaris and/or IAM, we have prepared a liquidation analysis on a consolidated basis.
77. Attached to this Third Report, as **Appendix H**, is the Monitor's Liquidation Analysis. Based on this analysis, it is the Monitor's opinion that the value offered by the Proposed Transaction is materially better than the liquidation value of the CCAA Entities' business.

THE PROPOSED USE AND DISTRIBUTION OF THE CASH PURCHASE PRICE AND ASSUMPTION OF DEBTS

78. As described above, the APA provides that, at the Preliminary Closing, the Purchaser shall: i) pay to the Monitor the Cash Purchase Price, ii) assume the Assumed Debts under and pursuant to the Assumption Agreement, and iii) assume liabilities required to be paid or assumed under the TSA.
79. As such, only the Cash Purchase Price will be available for a cash distribution at closing. The remainder of the consideration for the Proposed Transaction will be in the form of an assumption of secured indebtedness.
80. If the Proposed Transaction is approved by this Court, the Applicants seek orders authorizing that the Cash Purchase Price, which would otherwise be payable to the Applicants under their security after payment of the amounts set out below, be first used as follows:
 - i. Establishment of a CRO Reserve in the amount of \$1,500,000 to be held by the Monitor in order to cover any potential claims secured by the CRO Indemnity Charge, which claims, if any, shall be determined pursuant to the Proposed CRO Order, and thereafter upon completion of the CRO claims process and any claims against the CRO being dealt with in accordance with such process, any remaining funds in the CRO Reserve to be paid to Alaris;
 - ii. Transition Financing in the maximum amount of \$2,158,000 to be made available by the Applicants to the Purchaser to finance the Vendors' obligations during the Transition Period under and pursuant to the Transition Financing Agreement. The Transition Financing shall be repaid in accordance with the Transition Financing Agreement. The Purchaser's obligation under and pursuant to the Transition Financing Agreement are secured by a priority charge over the Purchased Assets and the Purchaser's after acquired property ranking behind the Fiera Charge (as defined below); and
 - iii. Establishment of a Litigation Fund in the amount of \$1 million to be held by the Monitor to fund unforeseen and contemplated litigation involving the CCAA Entities, with any remaining funds in the Litigation Fund upon the filing

of the Final Closing Certificate to be paid to Alaris in partial reimbursement of its secured debt.

81. If the Proposed Transaction is approved by the Court, the Applicants also seek orders authorizing that the balance of the Cash Purchase Price (after funding the CRO Reserve, the Transition Financing and the Litigation Fund as set out above) to be distributed in the following order:
 - i. payment of any and all amounts outstanding under the Interim Facility to the Interim Lender;
 - ii. payment of any and all statutory deemed trust claims preserved by section 37(2) of the CCAA in respect of Enerpro LP and The S.M. Group International (S.A.) Inc. to the applicable tax authorities;
 - iii. payment of the claims of creditor(s) secured by conventional or legal security charging the Purchased Assets and ranking in priority to the security of Alaris and IAM²; and
 - iv. the balance towards the payment of outstanding amounts under the secured promissory notes owed to Alaris (the "**Alaris Secured Notes**").
82. Upon completion of the CRO Claims Process, the CRO Reserve, less any amounts necessary to satisfy proven claims against the CRO shall be used to pay outstanding amounts under the Alaris Secured Notes to Alaris.
83. Under the Proposed Transaction, the Alaris Secured Notes are being reimbursed/assumed by the Purchaser. Alaris is the most important unsecured creditor of the CCAA Entities and none of its unsecured debt is being reimbursed or assumed pursuant to the Proposed Transaction.
84. Pursuant to the Initial Order, the Interim Lender was granted a court-ordered charge over all of the assets, undertakings and properties of the CCAA Entities (collectively, the "**Interim Facility Charges**"). The Interim Facility Charges have priority over all other encumbrances on the Vendors' assets other than the Administration Charge.
85. The Interim Financing Documents provide that the net proceeds of dispositions, such as the transactions with the Purchaser described herein, shall be applied promptly, and in any event no later than three business days after receipt thereof, to prepay obligations under the Interim Financing Documents.
86. The authorization sought by the Applicants for distribution of sale proceeds to the Interim Lenders are consistent with the terms of the Interim Financing Documents and are consistent with the priority of the Interim Facility Charges.
87. The Monitor will be reviewing the validity and *quantum* of deemed trust claims for pre-filing claims preserved by section 37(2) of the CCAA in respect of the Vendors, Enerpro LP and The S.M. Group International (S.A.) Inc. (which amounts to an aggregate of

² As of the date hereof, the Monitor is not aware of the existence of any such claims that have been made in the CCAA Proceedings, other than a claim in favour of the Royal Bank of Canada in the amount of [\$16,478].

\$31,246 based on available information) prior to any payment being made to the applicable tax authorities.

88. Deemed trust claims in an estimated amount of \$6 million relating to pre-filing periods are also owed by Personnel SM. Personnel SM is not a Vendor, and as mentioned above, has no material assets to the knowledge of the Monitor. In this context, no distribution is being anticipated to the tax authorities further to the Proposed Transaction. The tax authorities have filed an objection seeking to add Personnel SM (and another CCAA party) as a Vendor, and have requested information from the Monitor in light of the objection and the Monitor has been retrieving such information and continues to do so in order to answer these information requests.
89. The Monitor's counsel, Stikeman Elliott LLP ("**Stikeman**") conducted a security review of the security granted in the province of Québec by The S.M. Group International LP on its movable (personal) property securing amounts owing to Alaris and of the security granted by various CCAA Entities on their movable (personal) property securing amounts owing to IAM, and rendered opinions with respect to the validity and opposability (perfection) thereof under the laws of the Provinces of Quebec.
90. These opinions state that, subject to the assumptions and qualifications contained therein (a) the movable (personal) property security granted in favour of (i) Alaris, and (ii) IAM, is valid and enforceable and continues to create valid hypothecs under the laws of Québec in the movable (personal) property of The S.M. Group International LP (in the case of Alaris) as well as certain other CCAA Entities (in the case of IAM) stated to be secured therein, and (b) the security in favour of Alaris and IAM, as the case may be, have been properly registered in all places in the Province of Québec as are currently necessary to render those opposable to third parties.
91. Based solely and exclusively on a review of the searches conducted and as set out and described in the Stikeman opinion, subject to the assumptions and qualifications contained therein, and subject to, *inter alia*, the Court-ordered Charges, registrations of secured parties made prior to the registrations of Alaris, IAM and Investissement Québec ("**IQ**") (including a claim by Royal Bank of Canada (in an amount of \$16,479) and/or of other creditors that have not filed a claim under the CCAA Proceedings), purchase money security interests, hypothecs or other rights on specific equipment and liens, encumbrances and other rights of third parties in respect of which registration against the CCAA Entities may or may not be required under applicable personal property security legislation, including security published or perfected by possession or control, statutory trusts, liens and encumbrances, and claims that have priority by operation of law, and subject to agreements reached between Alaris, IAM and IQ (including, without limitation a postponement agreement dated March 30, 2017 between IAM and Alaris and acknowledgements made by IQ), pursuant to the laws of the Province of Quebec, the following registered hypothecs appear with respect to the Purchased Assets (as defined in the APA):
 - i. Alaris, as Lender under the Alaris Secured Loan, has published a hypothec against The S.M. Group International L.P. to be paid up to an amount of \$10,000,000 from the proceeds received from the sale of accounts receivable and inventory of The S.M. Group International L.P.;

- ii. IAM, as lender under the IAM Facility, has published a hypothec against The S.M. Group International L.P. and certain CCAA Entities to be paid from the proceeds received from the sale of the movable (personal) property of The S.M. Group International L.P. and certain CCAA Entities; and
 - iii. IQ, as lender under the IQ Loans, has published a hypothec against The S.M. Group International L.P. and certain CCAA Entities to be paid from the proceeds received from the sale of the movable (personal) property of The S.M. Group International L.P. and certain CCAA Entities.
92. The Monitor has been provided with written documentation evidencing that IQ and Intact Insurance Company (formerly AXA Assurances Inc.) have agreed to cede the rank of their claims to those of IAM. The Monitor has also received verbal indication from IQ that it has agreed to cede the rank of its claims to those of Alaris and as of the date hereof the Monitor is awaiting written confirmation to that effect. Intact Insurance Company does not appear to have agreed to cede the priority of its contingent claims (relating to ongoing contracts) to those of Alaris.
93. The Monitor is of the view that the proposed distribution of the Cash Purchase Price to Alaris is appropriate in the circumstances given, *inter alia*, that: i) Alaris has security over the assets of SM LP, ii) IAM is supportive of such distribution and has agreed that distribution related to receivables and inventory up to \$10,000,000 should be turned over to Alaris, iii) the security interests and hypothecs granted in favour of Intact Insurance Company will not be discharged, and iv) Alaris will be granting a customary limited indemnity to the Monitor in connection with the payment of any priority claims up to the amount of any distribution made to Alaris.

PRIORITY CHARGES OVER THE PURCHASED ASSETS

94. If the Proposed Transaction is approved by the Court, the Applicants seek, in the Proposed Vesting Order, orders declaring and confirming that the Purchaser has the obligations to repay;
- i. amounts owed under the Fiera Financing Agreement (the "**Fiera Obligations**");
 - ii. amounts owed under the Transition Financing Agreement (the "**Transition Financing Obligations**"); and
 - iii. the Assumed Debts under the Assumption Agreement (the "**Assumed Debts Obligations**").
95. In order to secure the above mentioned obligations and given the fact that legal title to the Purchased Assets (other than the Business Contracts Proceeds) will not be conveyed to the Purchaser until the Final Closing, the Applicants seek approval of the following charges over the Purchased Assets and the after acquired property of the Purchaser, ranking in priority to all Encumbrances:
- i. a charge of \$12,000,000 securing the Fiera Obligations (the "**Fiera Charge**");

- ii. a charge of \$2,158,000 securing the Transition Financing Obligations (the "**Transition Financing Charge**");
 - iii. a charge of \$30,000,000 securing the Assumed Debts Obligations (the "**Assumed Debts Charge**", collectively with the Fiera Charge and the Transition Financing Charge, the "**Charges**").
96. The creation of the above mentioned Charges upon the filing of the Preliminary Closing Date addresses the fact that the Purchased Assets are partially transferred to the Purchaser and partially remain with the Vendors during the Transition Period and are therefore difficult to capture with conventional security. In addition, such Charges obviate the need for granting and registration of additional conventional security and provide comfort to Fiera and the Applicants during the Transition Period that they have security over the Purchased Assets.
97. Given that the Purchase Price will be paid and or assumed, in large part, by the Purchaser upon the Preliminary Closing taking place and that the Purchased Assets (other than the Business Contracts Proceeds) will not be conveyed to the Purchaser until the Final Closing, the Monitor is of the view that the granting of the above mentioned Charges is reasonable and appropriate in the circumstances.

APPOINTMENT OF A RECEIVER IN RESPECT OF PERSONNEL SM

98. The Applicants seek orders appointing Deloitte Restructuring Inc. as receiver to the property of Personnel SM (the "**Receiver**").
99. If appointed and the Proposed Transaction is approved, the Receiver would perform obligations under the TSA for and on behalf of Personnel SM in order to ensure the continued performance of obligations under the Business Contracts during the Transition Period, until such contracts can be assigned to the Purchaser at the Final Closing.
100. Personnel SM conducts all personnel and payroll functions for the vast majority of the employees of the CCAA Entities, and is the entity that is the employer of the majority of the CCAA Entities' employees. As set out above, SM Personnel has approximately 630 direct employees.
101. Personnel SM funds periodical payroll obligations through unsecured intercompany advances received from S.M. Group International LP in consideration for the services provided by its employees to the CCAA Entities.
102. Personnel SM does not have any assets, other than unsecured intercompany receivables, advances to employees and minimal cash, as outlined on its balance sheet dated as at September 29, 2018 (see **Appendix I** to this Third Report). It does not have any contracts with customers and therefore it has no accounts receivable or work-in-progress. Personnel SM's liabilities consist mainly of payroll, deductions at source, other employment related liabilities and intercompany payables.
103. For the duration of the Transition Period, Personnel SM's employees are expected to remain employed by Personnel SM during the receivership proceedings.

104. As at the filing date, Personnel SM's liabilities for deductions at source is approximately \$6 million.
105. Given that SM Personnel has no assets and that no reorganization, operational or balance sheet restructuring is envisaged in connection with it, its continued inclusion in the CCAA Proceedings is no longer necessary.
106. The proposed receivership order is largely consistent with the Model Receivership Order approved by the Commercial Division of the Court. It should be noted that the proposed order provides that the Receiver would have the powers necessary to:
- i. enter into or perform any contract in the name or on behalf of Personnel SM; and
 - ii. file an assignment in bankruptcy under the BIA in respect of Personnel SM and to take any actions and execute any documents that are necessary or desirable to give effect to such assignment.
107. The appointment of the Receiver would also be beneficial to the employees of Personnel SM that have been let go since the Initial Order as it will permit such Employees to recover some or all amounts owed to them (unpaid accrued vacation and/or severance) under the WEPPA.
108. The Monitor therefore supports the appointment of the Receiver in the circumstances.

TERMINATION OF THE CRO'S MANDATE AND EXTENSION OF THE MONITOR'S POWERS

109. If the Proposed Transaction is approved by the Court, the Applicants seek orders terminating the CRO's mandate and providing for its discharge following the Preliminary Closing (the "**Proposed CRO Order**"). Customary orders releasing the CRO from any and all liability incurred in connection with the performance of its mandate are also being sought by the Applicants.
110. Paragraphs 60 and 61 of the Initial Order read as follows:
- [60] ORDERS that neither the CRO nor any employee or agent of the CRO shall be deemed to be a director or trustee of the Debtors.*
- [61] ORDERS that neither the CRO, nor any officer, director, employee, or agent of the CRO, including, without limitation, Paul Lafrenière, shall incur any liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any liability or obligation incurred as a result of gross negligence or willful misconduct on its or their part.*
111. It appears from the foregoing that it is only in very specific and rather exceptional circumstances that third parties could have claims against the CRO or its officers, directors, employees or agents.

112. The Monitor is not aware of any facts or circumstances that could give rise to such claims against the CRO. Given the proposed CRO Claims Process (described hereinafter) and the establishment of the CRO Reserve, described above, to satisfy any claims proven in the context of the CRO Claims Process, the Monitor is of the view that the Applicants' proposal to discharge the CRO following the Preliminary Closing is appropriate in the circumstances.
113. Contemporaneous with the termination of the CRO's mandate, the Applicants propose that the Monitor's powers be expanded to include the powers previously granted to the CRO under the Initial Order. Given its intimate knowledge of the business and affairs of the CCAA Entities, the Monitor is ready and able to take on these new powers and ensure the proper conduct of business operations of the CCAA Entities through the Transition Period. The Applicants also propose that the Monitor be empowered to file a proposal or an assignment in bankruptcy in respect of any of the CCAA Entities in the event such an action is appropriate as part of the Restructuring process. This may become necessary or desirable should the Purchaser be unable to obtain its Public Contract Authorization on a timely basis.
114. The Monitor is of the view that the expansion of its powers to include those previously conferred to the CRO and others is the most effective and cost efficient way to ensure the continuation of operations of the Debtors during the Transition Period.

THE CRO CLAIMS PROCESS

115. If the Proposed Transaction is approved by the Court, the Applicants seek orders in the Proposed Vesting Order declaring that the Purchased Assets be vested in the Purchaser free and clear of any Encumbrances including the CCAA Charges. In order to release the CRO Indemnity Charge, it is necessary to identify and determine any claims that may exist against the CRO in connection with its mandate in the context of these CCAA Proceedings.
116. The Proposed CRO Order proposed by the Applicants provides for an expeditious claims process (the "**CRO Claims Process**") pursuant to which, *inter alia*:
- i. the CRO Claims Process would be notified by publication in local newspapers and on the Monitor's website;
 - ii. a claims bar date would be established, after which no further claims against the CRO may be advanced, except with leave of the Court;
 - iii. valid claims accepted by the Monitor or determined by the Court, if any, shall be paid from the CRO Reserve.
117. The Monitor supports the proposed CRO Claims Process as it would safeguard the rights of any potential claimants following the discharge and release of the CRO and ultimately permit the CRO Indemnity Charge to be released, without the CRO being required to assume any risk of liability.

FINANCIAL PERFORMANCE AND CASH FLOW PROJECTIONS

Cash flow results for the 7-weeks ended November 3, 2018

118. For the 7-weeks ended November 3, 2018, the net cash flow generated by the consolidated operations and other collections was \$10,237,000. The Company was also able to collect the redeemable value of an insurance policy, for an amount of \$ 900,000. Finally, the Interim Facility was used for an amount of \$2 million during this period.
119. The net cash flow for the 7-week period was \$2,155,000 higher than projected in the cash flow forecast prepared by the Applicants (the "**Second Report Cash Flow Forecast**") and attached to the Monitor's Second Report.
120. The actual cash flow results and the variances from the Second Report Cash Flow Forecast for the 7-week period are presented in further detail in the schedule at **Appendix J** attached to this Third Report.

Cash flow forecast for the 15-weeks ending February 16, 2019

121. To determine the Company's short term cash flow and ongoing financing requirements during the CCAA Proceedings and the Transition Period, the Company have prepared a revised cash flow forecast (the "**Post-Closing Cash Flow Forecast**") for the 15-week period ending February 16, 2019. The Post Closing Cash Flow Forecast reflects management's and the CRO's expectations for the consolidated operations and was agreed to by Thornhill as contemplated in the TSA.
122. The Post-Closing Cash Flow Forecast projects that the Company will incur a negative cash flow of \$1,914,000 during the 15-week period. This Post Closing Cash Flow Forecast includes an amount of \$2,158,000 as Post-Closing Transition Interim Financing funded by the Applicants to cover partially accrued payroll and deductions at source at the Preliminary Closing.
123. Considering that the Company is showing a negative cash flow during the Transition Period, the Purchaser will have to advance funds of approximately \$1,300,000 to the Company during the Transition Period.
124. The Post-Closing Cash Flow Forecast is attached as **Appendix K** to this Report and shall be filed with the Court under confidential seal.

REQUEST FOR AN EXTENSION TO THE STAY OF PROCEEDINGS

125. As indicated earlier in this Third Report, the mechanic of the Proposed Transaction and the implementation of the TSA means that these CCAA Proceedings need to continue until the Post-Closing Assignment Date as defined in the TSA. The Monitor understands that the Purchaser will do everything in its power to obtain the required Public Contract Authorization in order for the Post-Closing Assignment Date to occur as soon as possible. As a result, the Company will require an extension of the Stay Period.
126. The Stay Period currently expires on November 14, 2018. The Applicants are seeking an extension of the stay period until and including February 15, 2019.

127. The extension of the Stay Period is necessary to allow the implementation of the TSA while the Purchaser obtains its AMF Authorization.

128. As described earlier in this Third Report, the Company has prepared the forecast, which covers the period November 4, 2018 to February 16, 2019 and which indicate that it has sufficient liquidity to sustain ordinary course operations during the proposed extended Stay Period.

MONITOR'S RECOMMENDATION

129. In light of the foregoing, the Monitor supports the relief sought by the Applicants and recommends that the Court grant the Proposed Vesting Order:

- i. approving the APA, the TSA, the Transition Financing Agreement and the Assumption Agreement, as well as the sale outside of the ordinary course of business set out therein and the vesting of the Purchased Assets in the Purchaser free and clear of all encumbrances;
- ii. approving a scheme of distribution for the Cash Purchase Price and assumption of the Assumed Debts, pursuant to which certain funds will be retained, *inter alia*, to finance the Vendors' operations during the Transition Period with the balance being remitted to the creditors holding security over the Purchased Assets in accordance with their respective priorities; and
- iii. establishing the Charges over the Purchased Assets and the after acquired property of the Purchaser to secure the latter's obligations in connection with the Fiera Financing, the Transition Financing and the Assumed Debts.

130. The Monitor is also of the view that it is reasonable and appropriate in the circumstances for this Court to grant the Proposed Receivership Order, appointing Deloitte as receiver to the property of Personnel SM with the powers to continue the corporation's activities and to assign it into bankruptcy at the end of the Transition Period.

131. The Monitor further supports and recommends that the Court grant the Proposed CRO Order:

- i. releasing and discharging the CRO upon the filing of the Monitor's Preliminary Closing Certificate and concurrently extending the Monitor's powers under the Initial Order; and
- ii. establishing an expedited claims process to identify and determine any claims that may exist against the CRO in order to permit the release of the CRO Indemnity Charge.

132. Finally, Monitor recommends that the Stay Period be extended to February 15, 2019.

The Monitor respectfully submits to the Court its Third Report.

DATED AT MONTREAL, this 6th day of
November 2018.

DELOITTE RESTRUCTURING INC.
In its capacity as Court-Appointed Monitor

A handwritten signature in black ink, appearing to read 'Martin Franco', written over two horizontal lines.

Martin Franco, CPA, CA, CIRP, LIT,
Senior Vice President

Appendix A

Appendix A

Mises-en-cause

LE GROUPE S.M. INTERNATIONAL S.E.C. / THE S.M. GROUP INTERNATIONAL LP,
a limited partnership formed pursuant to the laws of Alberta, having its head office at 433, Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

ÉNERPRO S.E.C. / ENERPRO LP,
a limited partnership formed pursuant to the laws of Québec, having its head office at 433, Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

LES SERVICES DE PERSONNEL S.M. INC.,
a limited partnership formed pursuant to the laws of Québec, having its head office at 433, Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

LE GROUPE S.M. (ONTARIO) INC. / THE S.M. GROUP (ONTARIO) INC.,
a corporation incorporated pursuant to the laws of Canada, having its registered office at 205-6205B Airport Road, Mississauga, Ontario L4V 1E3.

AMÉNATECH INC.,
a corporation incorporated pursuant to the laws of Québec, having its head office at 740 Galt Street West, Sherbrooke, Québec, J1H 1Z3 and an elected domicile at 433, Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

LABO S.M. INC.,
a corporation incorporated pursuant to the laws of Québec, having its head office at 740 Galt Street West, Sherbrooke, Québec, J1H 1Z3 and an elected domicile at 433, Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

LES CONSULTANTS INDUSTRIELS S.M. INC. / S.M. INDUSTRIAL CONSULTANTS INC.,
a corporation incorporated pursuant to the laws of Québec, having its head office at 740 Galt Street West, Sherbrooke, Québec, J1H 1Z3 and an elected domicile at 433, Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

LES CONSULTANTS S.M. INC. / S.M. CONSULTANTS INC.,
a corporation incorporated pursuant to the laws of Québec, having its head office at 2111 Fernand-Lafontaine Blvd., Longueuil, Québec, J4G 2J4 and an elected domicile at 433, Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

FACILIOP EXPERTS CORP.
a corporation incorporated pursuant to the laws of Canada, having its registered office at 1400, 350 – 7 Avenue SW, Calgary, Alberta, T2P 3N9.

LE GROUPE S.M. INTERNATIONAL INC. / THE S.M. GROUP INTERNATIONAL INC.,
a corporation incorporated pursuant to the laws of Québec, having its head office at 740 Galt Street West, Sherbrooke, Québec, J1H 1Z3 and an elected domicile at 433, Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

CSP CONSULTANTS EN SÉCURITÉ INC. / CSP SECURITY CONSULTING INC.,
a corporation incorporated pursuant to the laws of Canada, having its head office at 433,
Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

**LE GROUPE S.M. INTERNATIONAL (S.A.) INC. /
THE S.M. GROUP INTERNATIONAL (S.A.) INC.,**
a corporation incorporated pursuant to the laws of Canada, having its head office at 433,
Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

LE GROUPE S.M. INTERNATIONAL (CONSTRUCTION) EURL,
a corporation incorporated pursuant to the laws of the People's Democratic Republic of
Algeria, having its head office at Villa 40, cooperative El Amel, extension <D>, El Anhour,
Alger, 16104, Algeria.

SM SAUDI ARABIA CO LTD,
a corporation incorporated pursuant to the laws of the Kingdom of Saudi Arabia, having its
head office at 7958 Al Amir Muhammed Ibn Faisal Road, Hajar Unit No: 25, Dharan 34253-
5296, Kingdom of Saudi Arabia.

THE S.M. GROUP INTERNATIONAL SARL,
a corporation incorporated pursuant to the laws of Grand Duchy of Luxembourg, having its
head office at 595, 1er étage, rue de Neudorf, L-2220, Luxembourg.

THE S.M. GROUP INTERNATIONAL ALGÉRIE EURL,
a corporation incorporated pursuant to the laws of the People's Democratic Republic of
Algeria, having its head office at Villa 40, cooperative El Amel, extension <D>, El Anhour,
Alger, 16104, Algeria.

S.M. UNITED EMIRATES GENERAL CONTRACTING LLC,
a corporation incorporated pursuant to the laws of the United Arab Emirates, having its
head office at Mezzanine 2, bâtiment n. 295, Mohammed Ben Zayed, Mussoffah Shabiya
Khalifa, ME-11 P.O. Box 91777, Abu Dhabi, United Arab Emirates.

**COMMANDITÉ SMi-ÉNERPRO FONDS VERT INC. /
SMi-ENERPRO GREEN FUND GP INC.,**
a corporation incorporated pursuant to the laws of Canada, having its head office at 433,
Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

**SMi-ÉNERPRO FONDS VERT S.E.C. /
SMi-ENERPRO GREEN FUND LP,**
a corporation incorporated pursuant to the laws of Canada, having its head office at 433,
Chabanel Street West, 12th Floor, Montréal, Québec H2N 2J8.

9229-4263 QUÉBEC INC.,
a corporation having its registered office at 433, Chabanel Street West, 12th Floor, Montréal,
Québec H2N 2J8

Appendix B

Appendix C



LE GROUPE S.M. INC.

RE: Sale and Investor and Solicitation Process

On August 24, 2018, the Superior Court of Quebec (Commercial Division) (the "**Court**") rendered an initial order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**") in respect of The SMI Group Inc., The S.M. Group Inc., Claulac Inc., SMi Construction Inc., Énerpro Inc., S.M. International Group (Construction) Inc. and some of its affiliated entities, which are listed in Schedule A hereof (collectively, the "**CCAA Parties**"), and Deloitte Restructuring Inc. (the "**Monitor**") and LGBM Inc. (the "**CRO**") were respectively appointed as Monitor and Chief Restructuring Officer of the SM Group.

On September 21, 2018, the Court rendered an order (as it may be amended, restated or supplemented, from time to time, the "**SISP Approval Order**") approving the terms and conditions of a sale and investor solicitation process in respect of the CCAA Parties (as such process may be amended, restated or supplemented, from time to time, the "**SISP**"), and authorizing the SISP to commence at the earliest on October 3, 2018, provided both of the Applicants consent, unless postponed to a later date (the "**Commencement Date**"), in accordance with the procedures, terms and conditions set out therein and in the SISP Approval Order. Copies of the SISP and the SISP Approval Order are available on the Monitor's website at: www.insolvencies.deloitte.ca/en-ca/sm-group

On September 28, 2018, the Monitor sent a notice to the Service List advising of the postponement of the Commencement Date until October 10, 2018, and a corresponding postponement of the Bid Deadline (as defined in the SISP) until November 9, 2018 at 5:00 pm (Montreal time).

Since the issuance of the Initial Order, you have contacted the CRO and/or the Monitor and have expressed an interest in acquiring some or all of the assets of the CCAA Parties (or of any of them). As a result, we are providing you with a copy of a non-disclosure agreement (a "**Confidentiality Agreement**"), the SISP and the Written Acknowledgement (as defined in the SISP) in advance of the Commencement Date of the SISP to allow you execute and return the Confidentiality Agreement and Written Acknowledgement to the Monitor so that you are in a position to receive information from and after the Commencement Date if you are interested in a potential transaction involving any or all of the CCAA Parties or their respective businesses and assets. Subject to receiving an executed Confidentiality Agreement and Written Acknowledgement from you, additional information and documents will be provided to you by the



SMⁱ

LE GROUPE S.M. INC.

Monitor and the CRO regarding the business, operations, assets and affairs of the CCAA Parties following the Commencement Date.

As provided for in the SISP and in the SISP Approval Order, in order to participate in the SISP and be considered for qualification as a bidder, all interested parties will be requested to deliver to the Monitor the following documents by the Bid Deadline, which, assuming that the SISP is initiated by the aforementioned Commencement Date, would be November 9, 2018, 5:00 p.m. (Montreal time), along with any other information or documents as provided for in the SISP:

- (a) An executed Confidentiality Agreement and a written acknowledgement of receipt of a copy of the SISP and the SISP Approval Order and a confirmation that you agreed and accept to be bound by the provisions thereof;
- (b) A bid which specifies whether you are submitting a bid to purchase some or all of the assets of the CCAA Parties (or of any of them), or a bid for an investment in their respective businesses, or any parts thereof, and which complies with all of the other requirements set forth in the SISP; and
- (c) A letter setting forth the identity of the bidder, the contact information for such bidder and for any business, financial or legal advisors retained by it in connection with the contemplated transaction, and full disclosure of the direct and indirect owners of the bidder and its principals;

To the extent that the Commencement Date and the Bid Deadline are, once again, postponed to a later date, the Monitor shall send another notice to the Service List, advising them of same, and shall post such notice on its website, in accordance with the SISP Approval Order.

Should you require any further information in connection with the SISP, we invite you to communicate with either Mr. Paul Lafrenière of LGBM Inc. or with Mr. Martin Franco or Mr. Martin Guinard of Deloitte Restructuring Inc. (whose contact information is below):

LGBM Inc.
Paul Lafrenière
Tel: (514) 609-2232
Email: plafreniere@lgbm.ca

Deloitte Restructuring Inc.
Martin Franco/Martin Guinard
Tel: (514) 393-8474 / (514) 390-0911
Email : marfranco@deloitte.ca /
mguinard@deloitte.ca



SMI

LE GROUPE S.M. INC.

We look forward to hearing back from you.

Yours very truly,

DELOITTE RESTRUCTURING INC., acting in its capacity as Monitor of The SMI Group Inc. & al., and not in its personal capacity

By:

Name: Martin Franco, CPA, CA, CIRP, LIT

Title: Senior Vice-President

LGBM INC., acting in its capacity as Chief Restructuring Officer of The SMI Group Inc. & al., and not in its personal capacity

By:

Name: Paul Lafrenière

Title: Chief Restructuring Officer

Appendix D

October ____, 2018

CONFIDENTIAL



Attention: ●

Dear Sir:

RE: Confidentiality Agreement

On August 24, 2018, the Superior Court of Quebec (Commercial Division) (the “**Court**”) rendered an initial order pursuant to the *Companies’ Creditors Arrangement Act* in respect of Le Groupe SMI Inc., The S.M. Group Inc., Claulac Inc., SMi Construction Inc., Énerpro Inc., S.M. International Group (Construction) Inc. and in respect of some of their affiliated entities, which are listed in Schedule A hereof (collectively, the “**SM Group**”), and Deloitte Restructuring Inc. (the “**Monitor**”) and LGBM Inc. (the “**CRO**”) were respectively appointed as Monitor and Chief Restructuring Officer of the SM Group.

On September 21, 2018, the Court rendered an order (as it may be amended, restated or supplemented from time to time, the “**SISP Approval Order**”) approving a sale and investor solicitation process to be conducted in respect of the SM Group in accordance with the procedures, terms and conditions set out therein (as such process may be amended, restated or supplemented pursuant to the terms herein, the “**SISP**”).

Pursuant to the SISP, its implementation of the SISP was initially scheduled to commence at the earliest on October 3, 2018 (the “**Commencement Date**”), provided that both Alaris Royalty Corp. and Integrated Private Debt Fund V LP (collectively, the “**Applicants**”) consented thereto. In the event such where such consent by the Applicants was not obtained or where the Monitor considered it necessary or appropriate to postpone the Commencement Date, the SISP Team (as defined in the SISP) would select a new Commencement Date to be published on the Monitor’s website and notified to the forthwith to the Service List (as defined in the SISP Approval Order). On September 28, 2018, the Monitor sent a notice to the Service List advising the parties thereon of the postponement of the Commencement Date until October 10, 2018, and of the Bid Deadline (as defined in the SISP) until November 9, 2018 at 5:00 pm (Montreal time).

In the context of the contemplated SISP, you have requested certain information in connection with your consideration of a potential transaction with, or involving, the whole or any part of the SM Group (the “**Transaction**”). As a condition to providing such information to you, including the Evaluation Material, the Monitor and the CRO are requiring that you agree, as set forth below, to treat confidentially the information that will be provided to you or your Representatives by the SM Group, the Monitor, the CRO or their respective Representatives whether such information is provided before or after the Commencement Date.

In consideration for and as a condition to providing you with or granting you access to such confidential information, including the Evaluation Material, you acknowledge the

confidential and proprietary nature of same and agree to hold and keep same as provided in this Agreement and otherwise agree to each and every restriction and obligation in this Agreement.

For the purposes of this Agreement, the following definitions apply:

"Affiliates" has the meaning ascribed thereto under the *Canada Business Corporation Act*;

"Evaluation Material" includes, without limitation, (i) any information concerning the business, operations, assets and affairs of the SM Group that may hereafter be provided or shown to you or your Representatives by the SM Group, the Monitor, the CRO or their respective Representatives, irrespective of the form of communication, whether in paper format or sent by electronic means, or of whether such information has been identified as confidential; and (ii) all Notes or portion thereof. The term **"Evaluation Material"** does not however include information which (a) is or becomes generally available to the public other than as a result of a disclosure by you or your Representatives in breach of this Agreement, (b) as evidenced by written records, was within your possession prior to its disclosure to you by or on behalf of the SM Group, provided that the source of such information was not known to you to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, the SM Group with respect to such information; (c) becomes available to you on a non-confidential basis from a source which is not bound by a confidentiality agreement with the SM Group, the Monitor or the CRO, provided that such source is not known by you to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to the SM Group, with respect to such information;

"Notes" means all summaries, reports, analyses, compilations, memoranda, notes, extracts, studies or other writings or documents prepared by you or your Representatives or on your behalf or on behalf of any of your Representatives to the extent they contain, reflect or are based upon or derived from the Evaluation Material; and

"Representatives" means the directors, officers, employees, agents, advisors and other representatives of any entity or of its Affiliates.

1. Non-Disclosure and Use of Evaluation Material

You and your Representatives (i) will keep the Evaluation Material confidential and will not disclose any Evaluation Material in any manner whatsoever, in whole or in part, and (ii) will not use, directly or indirectly, any Evaluation Material except for the evaluation of the Transaction, provided, however, that you may reveal the Evaluation Material or portions thereof to your Representatives (a) who need to know the Evaluation Material for the purposes of evaluating the Transaction, (b) who are informed by you of this Agreement and of the confidential nature of the Evaluation Material, (c) who have entered into a confidentiality agreement in favour of the SM Group, the Monitor and the CRO that contains the same terms and conditions as this Agreement and (d) who are directed by you to treat the Evaluation Material in a manner consistent with the terms of this Agreement. You shall not otherwise use the Evaluation Material for your own benefit or

for the benefit of any other person. You agree to use the same level of diligence to protect the Evaluation Material from unauthorized use or disclosure as you use to protect your own confidential or proprietary information, but in no event shall you use less reasonable diligence than any prudent and diligent person would. In particular, you will limit and control copies, extracts and reproductions made of the Evaluation Material and will ensure that any confidentiality or other proprietary rights notices on the Evaluation Material are reproduced on any such copies.

2. Disclosure Required

In the event that you or your Representatives should be required, by law or regulation or by legal process, to disclose any Evaluation Material, it is agreed that you will provide the SM Group, the Monitor, the CRO and their respective Representatives with prompt notice of any such request, so that the SM Group, the Monitor or the CRO may seek an appropriate protective order or other remedy, or consult with you with respect to taking steps to resist or narrow the scope of such request or legal process and/or waive your compliance with the provisions of this Agreement. You will cooperate with the SM Group, the Monitor, the CRO and their respective Representatives to obtain any such order or remedy at the SM Group's sole expense. It is further agreed that if, in the absence of a protective order or the receipt of a waiver hereunder, you are nonetheless, in the opinion of outside counsel, compelled to disclose Evaluation Material, or else face liability for contempt or suffer other penalty, you or your Representatives may disclose only that portion of the Evaluation Material which you are advised, by opinion of your outside counsel, is legally required, provided however that you give the SM Group advance written notice of the Evaluation Material to be disclosed as far in advance of its disclosure as is practical.

3. Return of Documents

Upon the written request of the Monitor or the CRO (i) you will promptly deliver to the Monitor the Evaluation Material other than the Notes, (ii) you will promptly destroy in a manner satisfactory to the Monitor all Notes and certify such destruction in writing and (iii) you and your Representatives will immediately cease using access to any virtual data room set up by the SM Group, the Monitor or the CRO, as the case may be. Any Evaluation Material that cannot be returned or destroyed (including without limitation any oral Evaluation Material) shall remain subject to this Agreement.

4. Process

You agree that all (i) communications regarding the Transaction, (ii) requests for additional information, meetings or visits, and (iii) discussions or questions regarding procedures with respect to the Transaction, will be submitted or directed exclusively to the attention of the Monitor and the CRO. For greater certainty, you shall not (and you shall cause your Representatives not to) contact or attempt to contact any employee, lender, customer, supplier, distributor, franchisee, consultant or Representative of the SM Group or its Affiliates or any of their respective agents, shareholders or other security holders or any other person having business relations with the SM Group or its Affiliates, without the prior written consent of the Monitor and the CRO.

You acknowledge and agree that (a) the Monitor, the CRO or their respective Representatives are free to conduct the process relating to a Transaction as the Monitor

and the CRO, in their sole discretion, determine (including, without limitation, conduct of the due diligence process, negotiating with any prospective purchaser and entering into a preliminary or definitive agreement to effect a Transaction without prior notice to you or any other person), (b) the Monitor and the CRO reserve the right, in their sole discretion, to change the procedures relating to their consideration of a Transaction at any time without prior notice to you or any other person, to reject any and all proposals made by you or any of your Representatives with respect to a Transaction and to terminate discussions and negotiations with you at any time and for any reason, and (c) unless and until a written definitive agreement concerning a Transaction has been executed, neither the SM Group, the Monitor, the CRO or their respective Representatives will have any liability to you with respect to a Transaction, whether by virtue of this Agreement, any other written or oral expression with respect to a Transaction or otherwise.

5. No Representation or Warranty

You understand and acknowledge that the SM Group, the Monitor, the CRO or their respective Representatives do not make any express or implied representation or warranty as to the accuracy or completeness of the Evaluation Material or any other information which shall be provided to you or your Representatives. Nothing herein obligates the SM Group, the Monitor, the CRO or their respective Representatives to complete, revise or update any Evaluation Material. You agree that the SM Group, the Monitor, the CRO or their respective Representatives shall not have any liability to you or your Representatives resulting from the use of the Evaluation Material by you or your Representatives or from errors therein or omissions therefrom.

6. Non-Solicitation of Employees

For a period of one (1) year from the Commencement Date hereof, you agree and undertake not to solicit, either directly or indirectly, any of the SM Group's personnel, to accept employment with, or to act as an independent contractor or advisor to, you or any of your Affiliates. "**SM Group's personnel**" means all of the directors, officers, employees or consultants of the SM Group or its Affiliates at the time of execution of this Agreement or at any time thereafter. The prohibition contained in this paragraph shall not extend to general solicitations of employment not specifically directed towards any SM Group's personnel.

7. Ownership

You acknowledge that the Evaluation Material remains the property of the SM Group and that the disclosure of such information to you or your Representatives shall not be deemed to confer upon you or them any rights whatsoever in respect of any part thereof. Neither the Agreement nor the disclosure of Evaluation Material hereunder shall be construed as granting any right or license, express or implied, under any copyright, patent, trade secret, or other intellectual property right now or hereafter owned or controlled by the SM Group.

8. Legal Remedy

You acknowledge that the SM Group could be irreparably harmed if any provision of this Agreement is breached by you or your Representatives, that monetary damages could not be a sufficient remedy for any such breach, and that in addition to all other

remedies, the SM Group, the Monitor and the CRO may seek specific performance and injunctive or other equitable relief as a remedy for any such breach.

9. Severability

If any provision of this Agreement is held to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect.

10. Entire Agreement

This Agreement constitutes the entire agreement between the parties and supersedes any prior or contemporaneous oral or written representation with respect to the subject matter hereof. This Agreement may only be modified by a written instrument signed by all the parties hereof.

11. Term

This Agreement shall remain in effect for a period of one (1) years from the Commencement Date.

12. Assignment

Any assignment of this Agreement by you without the Monitor and the CRO's prior written consent shall be void.

13. No Waiver

It is further understood and agreed that no failure or delay by the SM Group, the Monitor or the CRO in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

14. Language

The parties declare that they have agreed that this Agreement and all documents relating thereto, either present or future, be drawn up in the English language only; *les parties déclarent par les présentes qu'elles ont convenu que cette entente et tous les documents y afférents soient, pour le présent ou le futur, rédigés dans la langue anglaise seulement.*

15. Governing Law and Jurisdiction

This Agreement shall be governed and construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein without giving effect to the conflicts of laws principles thereof. Each party hereto irrevocably submits to the exclusive jurisdiction of the courts of the Province of Québec, district of Montreal, with respect to any matter arising hereunder or in relation to this Agreement.

[Signature page follows]

Yours very truly,

DELOITTE RESTRUCTURING INC.

By: _____
Name:
Title:

LGBM INC.

By: _____
Name:
Title:

CONFIRMED AND AGREED TO:

●

By: _____
Name:
Title:

**SCHEDULE A
LIST OF THE AFFILIATED ENTITIES**

The S.M. Group International LP;	Enerpro LP
Les services de personnels S.M. Inc.;	The S.M. Group (Ontario) Inc.;
Aménatech Inc.;	Labo S.M. Inc.;
S.M. Industrial consultants Inc.;	S.M. consultants Inc.;
Faciliop Experts Corp.;	The S.M. Group International Inc.;
CSP Security Consultants Inc.;	The S.M. Group International (S.A.) Inc.;
Le Groupe S.M. International (Construction) EURL;	SM Saudi Arabia Co Ltd;
The S.M. Group International SARL;	The S.M. Group International Algérie EURL;
S.M. United Emirates General Contracting LLC;	S.Mi-Enerpro Green Fund GP Inc.;
S.Mi-Enerpro Green Fund LP	9229-4263 Québec inc.

Appendix E

Acknowledgement of Sale and Investment Solicitation Process

The undersigned hereby acknowledges receipt of the Sale and Investment Solicitation Process (the “**SISP**”) approved by the Order of the Honourable Justice Coriveau of the Superior Court of the Province of Quebec dated September 21, 2018 (the “**SISP Approval Order**”) and that compliance with the terms and provisions of the SISP is required in order to participate in the SISP and for any Bid to be considered by the SISP Team (as defined in the SISP).

This _____ day of _____, 2018.

[NAME]

By:

[Signing Officer]

Appendix F

(Under confidential seal)

Appendix G

(Under confidential seal)

Appendix H

Forced Liquidation value as at Sept 29, 2018		Canadian	S.M. Personal	Other ²	Total	Canadian	S.M. Personal	Other ²	Total	Canadian	S.M. Personal	Other ²	Total
		Entities ¹	Services			Entities ¹	Services			Entities ¹	Services		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
		Book Value				Liquidation Value - High				Liquidation Value - Low			
ASSETS													
Cash and cash equivalent ⁽³⁾	Note A	3,161,609	51,346	496,032	3,708,987	3,161,609	51,436	-	3,213,045	3,161,609	51,436	-	3,213,045
Accounts receivable	Note B	15,194,195	-	51,370	15,245,565	3,225,189	-	25,685	3,250,874	1,612,594	-	12,843	1,625,437
Other accounts receivable	Note C	2,306,164	-	443,564	2,749,728	-	-	-	-	-	-	-	-
Advances receivable	Note D	6,553,109	237,441	-	6,790,550	-	-	-	-	-	-	-	-
Research and development tax credit receivable (provincial)	Note E	3,493,401	-	-	3,493,401	1,090,641	-	-	1,090,641	1,090,641	-	-	1,090,641
Research and development tax credit receivable (federal)	Note F	17,609,567	-	-	17,609,567	-	-	-	-	-	-	-	-
WIP	Note G	9,850,639	-	-	9,850,639	-	-	-	-	-	-	-	-
Inventories	Note H	535,791	-	-	535,791	107,000	-	-	107,000	54,000	-	-	54,000
Capital Assets	Note I	9,941,741	-	18,227	9,959,968	1,027,578	-	-	1,027,578	687,290	-	-	687,290
Intangible assets	Note J	2,319,696	-	-	2,319,696	-	-	-	-	-	-	-	-
Artwork	Note K	1,142,099	-	-	1,142,099	-	-	-	-	-	-	-	-
Total - Assets		72,108,011	288,788	1,009,194	73,405,992	8,612,017	51,436	25,685	8,689,138	6,606,135	51,436	12,843	6,670,413

1 - The Canadian entities are composed of the following:

The SMI Group Inc., The S.M. Group Inc., Claulac Inc., SMI Construction Inc., Enerpro Inc., Enerpro LP, The S.M. Group International (Construction) Inc, SMI - Enerpro Green Fund GP Inc., SMI - Enerpro Green Fund LP, The S.M. Group International LP, The S.M. Group (Ontario) Inc., Aménatech Inc., Labo S.M. Inc., S.M. Industrial Consultants Inc., S.M. Consultants Inc., 9229-4263 Quebec Inc. (Scaram), The S.M. Group International Inc., CSP Consultants en Sécurité Inc. and The S.M. Group International (SA) Inc.

2- The other entities are composed of the following:

The S.M. Group International (Construction) EURL, SM Saudi Arabia Co Ltd., The S.M. Group International SARL, The S.M. Group International Algérie EURL, S.M. United Emirates General Contracting LLC and Faciliop Experts Corp.

3- As of November 3, 2018, the balance of cash is \$2,155k before payment of the outstanding post-filing obligations.

- Note A** Cash from entities based outside of Canada represents cash collateral to support various outstanding letters of credit related to Algerian contracts. Consequently, the liquidation value thereof is nil.
- Note B** Accounts receivable for projects with a completion rate of 95% and above are considered potentially collectible. It is determined that the liquidation value of these accounts receivable would vary between 25% to 50% of their book value. With regards to all projects with a completion rate lower than 95%, we have determined that the liquidation value of these accounts receivable would be nil considering the potential claims resulting from non-completion of the project.
- Note C** Other accounts receivable mostly consist of a holdback (balance of sale) relating to the Environnex transaction. This holdback was payable based on a minimum of sale expected to be coming from the SM entities. It is the Monitor's understanding that such minimum threshold were not met. With regards to the remainder of the other accounts receivable, they are mostly related to various deposits made to different suppliers. Considering that amounts are owed to some if not all of these suppliers, the liquidation value is expected to be nil.
- Note D** The advances receivable are mostly made of various amount due by Mr. Bernard Poulin, companies owed by Mr. Bernard Poulin, some of his relatives and others. At this time, it is difficult to determine the liquidation value of this asset considering that the Monitor/Applicants just initiated legal proceedings in respect of such claims.
- Note E** The R&D tax credit receivable are made of the following, \$753k related to a notice of objection for fiscal 2011, \$1.1M related to fiscal year 2016. With regards to the remainder, it represents accruals estimated by the company for the fiscal year 2017 and the year to date 2018. In our liquidation value, we did not include any amount related to fiscal year 2011, 2017 and 2018.
- Note F** Since this credit isn't refundable and is only application against future income taxes payable to CRA, we estimated a liquidation value of nil.
- Note G** Considering the nature of this asset, the Monitor estimates that the liquidation value thereof would be nil.
- Note H** The inventories are mostly made of laboratory supplies the liquidation value of which was established between 10% and 20% of the book value.
- Note I** Capital assets mainly consist of the following, leasehold improvements (\$1.3M), furniture (\$1.2M), instrument and equipment (\$1.9M), computers (\$2.0M), software (\$1.7M) and others. Depending on the nature of the assets, the liquidation value may vary between 0% and 20% of the book value.
- Note J** The intangible assets value is nil as it represents goodwill, licences and intellectual property.
- Note K** As this time, the Monitor was unable to obtain a detailed listing of these assets. It is the Monitor's opinion that some of these assets maybe located outside of the SM's premises. Consequently, at this time, the liquidation value is undetermined.

Appendix I

LES SERVICES DE PERSONNEL S.M. INC.
BALANCE SHEET
AS AT SEPTEMBER 29, 2018

2018

ASSETS

Current assets	
Cash	51,346
Advances to employees	114,440
	<hr/>
	165,786

Advances to The S.M. Group Inc.	46,364,612
Advances to Gestion de construction LGGC Inc.	108,460
Advances to The S.M. Group International SA Inc.	259,590
Advances to Somatech Inc.	14,541
Advances to Faciliop Corp.	3,851,050
	<hr/>
	50,598,253

50,764,039

LIABILITIES

Current liabilities	
Salaries and vacation payable	3,555,269
Deduction at source payable	7,261,190
	<hr/>
	10,816,459

Due to The S.M. Group LP	38,339,794
Due to The SMi Group Inc.	2,880,000
Due to Enerpro LP	98,695
	<hr/>
	41,318,489
	<hr/>
	52,134,948

SHAREHOLDERS EQUITY

Share Capital	10
Deficit	(1,370,919)
	<hr/>
	(1,370,909)

50,764,039

This balance sheet have been prepared by Management.

Appendix J

Groupe SM - Budget to actual	For the seven-week period ended November 3, 2018			
Consolidated - (\$000)	Actual	Budget	Variance	Note
Collections				
Collections from operations	10,005	9,581	424	1
Other	232	-	232	2
Surrender value of a insurance policy	901	-	901	3
DIP Advances	2,000	1,969	31	
Total Collections	13,138	11,550	1,588	
Disbursements				
Payroll	5,355	5,051	(304)	4
DAS & RRSP	2,345	2,397	52	
GST/QST	785	907	122	
Purchases, suppliers and other	2,739	2,549	(190)	5
Alaris	-	167	167	6
IAM	-	-	-	
Operating leases	100	114	14	
Insurances	396	425	29	
Rents	574	556	(18)	
Group Insurances	286	260	(26)	
Professional fees	1,453	1,047	(406)	7
Subsidiary (Payroll, rent & monthly expenses)	18	-	(18)	
Interests on DIP Financing	-	9	9	
Reserve	542	1,678	1,136	8
Total Disbursements	14,593	15,160	567	
Net Cash-Flow	(1,455)	(3,610)	2,155	
Net cash - Beginning	3,610	3,610	-	
Net cash - End	2,155	-	2,155	

SM Group

Budget to actual – Main explanations

- 1. Collections from operations:** Management indicated that the favorable variance is mainly explained by the fact that in the previous weeks, collections were lower than anticipated (timing).
- 2. Other:** The favorable variance of \$232 k is mainly due to the sale proceeds received in the amount of \$134 k following the sale of the moveable assets of 9229-4263 Quebec Inc.
- 3. Surrender value of insurance policy:** The Company was able to collect the redeemable value of an insurance policy of an amount of \$ 901k.
- 4. Payroll:** This negative variance can be explained by delays in implementing the restructuring measures.
- 5. Purchases, suppliers and other:** A negative variance of \$190K was generated during the seven-week period due to timing of payments.
- 6. Alaris:** Payments previously anticipated for the month of September and October will not be made.
- 7. Professional fees:** The professional fees were higher than anticipated due namely to the following:
 - a.** Preparation of a motion against a customer to collect outstanding amounts;
 - b.** Continuance of the Forensic Review conducted by the Monitor and issuance of an interim report by the Monitor's forensic team;
 - c.** Need to address issues in relation with the maintaining of the SM Authorizations by the AMF and communications with the AMF;
 - d.** Continuance of the SISP and finalization of a Teaser letter and CIM while pursuing discussions with the Purchaser;
 - e.** Negotiations of a Term Sheet with the Purchaser;
 - f.** Preparation of all legal documentations surrounding the sale of the assets to the Purchaser.
- 8. Reserve:** The amount paid out of the reserve was in respect of an order from the Superior Court rendered on September 28, 2018, with regards to unpaid DAS. The remainder of the reserve has been eliminated since the allegation made by various parties related to certain joint ventures have been resolved.

Appendix K

(Under confidential seal)