

Supplier Q&As – CCAA Filing

On August 24, 2018, following the filing of joint application made by Alaris Royalty Corp. and Integrated Private Debt Fund V LP, the Superior Court of Quebec (Commercial Division) (the "**Court**") rendered an initial order (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., and S.M. International Group (Construction) Inc. as well as some of their respective affiliated entities (collectively the « **Company** » or "**SM Group**"). As part of the Initial Order, LGBM Inc. and Deloitte Restructuring Inc. were respectively appointed as chief restructuring officer (the "**CRO**") and monitor (the "**Monitor**") of the SM Group.

Business Continuity

- The initiation of the CCAA Proceedings does not mean that SM Group is going out of business. The day-to-day operations of the SM Group are expected to continue.

Company Impact

- As part of the CCAA Proceedings, the SM Group, together with the CRO and the Monitor and their advisors, will review a number of critical financial and business issues, including the need to improve the SM Group's financial situation and, if circumstances permit, develop and submit to its creditors a plan of compromise and/or arrangement, which will need to be approved by them and by the Court.
- During this period, the SM Group's operations will continue in the normal course.
- We expect that this process may take several months. While there is no fixed timeline for completing this process, we will work towards resolving the situation as quickly as possible.
- Many companies have gone through a similar process and have emerged as successful, operating businesses.

Supplier Questions

Q. Is the SM Group going out of business?

A. No, the initiation of the CCAA Proceedings does not mean that the SM Group is going out of business. The day-to-day operations of the Company are expected to continue as it delivers uninterrupted services to customers. One indication of confidence in this process is that the Company has raised an interim financing of CAD 2M to support its operating needs, including wages, benefits and other operating expenses.

Q. What is the *Companies' Creditors Arrangement Act* (CCAA)?

A. The CCAA is a Canadian law intended to assist a company in developing and implementing solutions allowing it to restructure its business and financial affairs. In order to allow such company to continue its operations normally while it conducts its restructuring, the CCAA protects it company from certain actions that creditors might take to collect money for goods and services, including loans and similar arrangements, delivered prior to the initiation of the CCAA Proceedings.

Q. What is "protection from creditors"?

A. One of the benefits of the CCAA is that it essentially provides a company with necessary "breathing room" or protection from its creditors so that it can develop a plan to restructure its business and financial affairs. In the context of the CCAA Proceedings, the SM Group will be protected from certain actions that its creditors might take to collect previous amounts owing for goods and services, including loans or similar debts, delivered prior to the initiation of the CCAA Proceedings. This protection will allow the SM Groups to continue its operations while it develops a plan to deal with its existing debts. The SM Group will pay for all goods and services delivered after the initiation of the CCAA Proceedings, as it continues normal operations.

Q. Will SM Group continue to pay its suppliers in the various communities where it operates and serve customers?

A. Suppliers will be paid for all goods and services delivered and received on or after the initiation of the CCAA Proceedings. However, settlement of claims for goods and services received prior to the initiation of the CCAA Proceedings will be dealt with in a plan that may be developed at a later date and approved by the creditors and the Court. The SM Group will be contacting creditors at a later date to discuss the claims process for goods and services received prior to the initiation of the CCAA Proceedings.

Q. Didn't you have any other options?

A. Unfortunately, given its financial situation, it was determined that there was no viable alternative and that the best course of action to preserve the SM Group's business was to pursue a restructuring under Court supervision.

Q. What does "restructuring" mean?

A. Restructuring means that the SM Group, together with the CRO and the Monitor and their advisors, will review a number of critical financial and business issues, including the need to improve the SM Group's financial situation and, if circumstances permit, develop and submit to its creditors a plan of compromise and/or arrangement, which will need to be approved by them and by the Court. During this Period, the SM Group's operations will continue in the normal course.

Q. How long will the process take?

A. There is no fixed time limit on this process but the SM Group intends to work toward a successful outcome as quickly as possible. The SM Group will work closely with the CRO and the Monitor in order to develop and implement a restructuring. The SM Group regrets the inconvenience to suppliers and creditors whose claims are subject to this process and wish to start a new chapter with this turn of events.

Q. I have unpaid invoices for goods or services delivered prior to the initiation of the CCAA Proceedings (i.e., pre-petition invoices). What should I do?

A. Once the Court confirms the procedures and deadlines for filing claims, you should receive a proof-of-claim form and instructions on how to file the claim.

- Q. Why can't the SM Group pay me what I am owed?
- A. Unfortunately, in light of the stay of proceedings ordered by the Court as part of the Initial Order and the terms of the CCAA, the SM Group is prevented from making payments in respect of any amount claimed for goods and services delivered prior to the initiation of the CCAA Proceedings. The SM Group sincerely regrets the hardship or inconvenience that this may cause your company. All pre-filing claims will be dealt with in accordance with the plan that may be developed by the SM Group and approved by its creditors and the Court.
- Q. Will I need a claim form, or will I automatically be paid for the outstanding, pre-petition amount owed to me?
- A. As part of its mandate, the Monitor will post on its website a list of all known creditors of the SM Group. Once a claims procedure is approved by the Court, creditors on this list will receive a claim form from the Monitor with instructions on how to file a claim. If you have any questions regarding the filing of a claim or wish to be added to this list, please seek legal counsel or contact the court-appointed monitor, Deloitte Restructuring Inc., directly at 1-833-369-9699 or at groupesmccaa@deloitte.ca.
- Q. Why should I continue to provide the SM Group with goods and services if my pre-filing claims are not immediately paid?
- A. There are four main reasons to maintain your business relationship with the SM Group:
1. Terms of the Initial Order: Pursuant to the Initial Order and the CCAA, suppliers are required to fulfill all contractual obligations to the SM Group despite the non-payment of any pre-filing claims;
 2. Priority status of post-petition claims: However, and again pursuant to the Initial Order and the CCAA, the SM Group is required nonetheless to pay in full for all goods and services delivered after the initiation of the CCAA Proceedings in accordance with established terms.
 3. Maximizing the value of your pre-petition claim: The value of all pre-petition claims is highly dependent on the success of the Company during the reorganization process. The success of the Company during this period depends in large part on the support of the supplier community. Therefore, each supplier has the opportunity to affect the value related to its outstanding balances at the time of initiation of the CCAA Proceedings.
 4. We expect to emerge from the CCAA a much healthier company: The SM Group expect to grow our business in the future, and we see this as an opportunity to expand our business relationships. The SM Group values its relationship with you and feels it is important to continue working together.
- Q. What is my current balance? What is my pre-petition balance?
- A. We cannot provide current balances outstanding at this point because the Company is in the process of reviewing all of its records and separating pre- and post-filing invoices. However, over the next few weeks the Company will be working with the CRO and the Monitor to determine the balances it believes are owed to its creditors. If you have further questions about this, please contact your company's legal advisor or contact the court-appointed monitor, Deloitte Restructuring Inc.

- Q. When will I receive payment for goods and services delivered on or after the filing date?
- A. As mentioned, all goods and services delivered on or after the initiation of the CCAA Proceedings will be paid according to established terms.

Role of the CRO and of the Monitor

- Q. What is the role of the CRO?
- A. As part of the Initial Order, LGBM Inc. was appointed as chief restructuring officer of the SM Group, namely with the power to conduct and control the financial affairs and operations of the SM Group and carry on its business during the CCAA Proceedings. As such, all decision in relation with the business, financial affairs and operations of the SM Group and any execution of any agreement in relation thereto should be made with the prior approval of the CRO.
- Q. What is the role of the Monitor?
- A. As part of the Initial Order, Deloitte Restructuring Inc. was appointed to monitor the business and financial affairs of the SM Group, as officer of the Court. As such, during the CCAA Proceedings, the Monitor shall namely monitor the SM Group's business and financial affairs, assist the SM Group and the CRO in connection with the SM Group's restructuring under the CCAA, including with its dealing with its creditors and other interested persons, and report back to the Court.

Other

- Q. Where can I get more information?
- A. The S.M. Group is committed to keeping suppliers informed of significant developments., and, with the assistance of the CRO and of the Monitor, may be communicating with certain interested parties directly. Otherwise, all relevant information and documents related to the CCAA Proceedings will be made available on the Monitor's website at www.insolvencies.deloitte.ca/en-ca/sm-group.

Should you have any further questions, please do not hesitate to contact the Monitor at 1-833-369-9699 or at groupe-sm-ccaa@deloitte.ca or the CRO at 514-982-6001 Ext. 7001