

CANADA  
DISTRICT OF QUÉBEC  
DIVISION NO.: 01 - MONTRÉAL  
COURT NO.:  
FILE NO:  
OFFICE NO: 157678-004

SUPERIOR COURT  
"Commercial Division"

IN THE MATTER OF THE PROPOSAL OF: **THE S.M. GROUP INTERNATIONAL INC.**

Debtor

-and-

**RAYMOND CHABOT INC., (SR0163)**

Jean Gagnon, CPA, CA, CIRP, LIT

Designated Person

Trustee

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## PROPOSAL AND PLAN OF REORGANIZATION

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We, The S.M. Group International Inc., hereby submit to our creditors the following Proposal pursuant to the *Bankruptcy and Insolvency Act*:

### 1. DEFINITIONS

**Definitions:** The following definitions shall apply to this Proposal, subject to any inconsistent provision of the Act:

- 1.1 **"Acquirer"**: means FNX-Innov Inc., or any other company it designates.
- 1.2 **"Act"**: means the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3.
- 1.3 **"Affirmative Vote"**: means the vote of the creditors approving this Proposal by the majority of the creditors as required under the Act.
- 1.4 **"Amount Offered for Distribution"**: means an aggregate amount of one hundred thousand dollars (\$100,000) to be made available to the Trustee by the Debtor, out of the Investment, for the purposes of the Proposal, within ten (10) days of the Approval Order.
- 1.5 **"Approval Order"**: means a final and binding order to be issued by the Court and providing, among other things, the following:
  - (i) the approval of the Proposal following an Affirmative Vote; and
  - (ii) the authorization and acceptance of the Reorganization.
- 1.6 **"CBCA"**: means the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44.
- 1.7 **"Conditions"**: has the meaning ascribed thereto in Section 3.1 of the Proposal.
- 1.8 **"Court"**: means the Superior Court of Québec, district of Montréal.

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- 1.9 “**Crown Claims**”: means only, excluding specifically any other claims of Her Majesty in right of Canada or of a province or its agents, the claims of Her Majesty in right of Canada or of a province which were due as at the Date of the Proposal by the Debtor, for amounts that could be subject to a demand under Section 224(1.2) of the *Income Tax Act* or any provincial legislative provision that is essentially identical to the provisions of such section.
- 1.10 “**Date of Approval**”: means the date on which the Approval Order becomes final and not subject to appeal.
- 1.11 “**Date of the Proposal**”: means, for the purposes of the Proposal, the filing date of the Proposal with the Official Receiver, namely January 16, 2019.
- 1.12 “**Deadline**”: means March 15, 2019.
- 1.13 “**Debtor**”: means The S.M. Group International Inc.
- 1.14 “**Employee Claims**”: means the claims of employees under Section 60(1.3)(a) of the Act as at the Date of the Proposal.
- 1.15 “**Fees and Costs of the Proposal**”: means the fees and costs of the Trustee and the attorneys of the Debtor relating to this Proposal or any amended Proposal, as applicable, incurred after the Date of the Proposal.
- 1.16 “**First Tranche**”: has the meaning ascribed thereto in Section 10.1(i) of the Proposal.
- 1.17 “**Investment**”: means an amount of one hundred thousand dollars (\$100,000) invested by the Acquirer in the Debtor to be used exclusively to pay the sums to be disbursed by the Debtor under this Proposal.
- 1.18 “**New Shares**”: has the meaning ascribed thereto in Section 1.24(i) of the Proposal.
- 1.19 “**Person**”: means any individual, corporation, limited or unlimited liability company, general or limited partnership, association, trust, joint venture, unincorporated organization, governmental body or agency, or any other entity.
- 1.20 “**Preferred Claims**”: means the claims described in Sections 136(1)(a) to 136(1)(j) of the Act, which, under the Act, shall be paid in priority over all other claims, except the Employee Claims and Fees and Costs of the Proposal.
- 1.21 “**Preferred Creditors**”: means any Person having a Preferred Claim.
- 1.22 “**Proposal**”: means this Proposal, or any amended Proposal filed pursuant to amendments thereto.
- 1.23 “**Related Creditors**”: means any Person related to the Debtor within the meaning of Section 4 of the Act.
- 1.24 “**Reorganization**”: means the completion of all of the following transactions, to the Acquirer’s entire satisfaction:

- (i) the authorization of the reorganization of the share capital (or of the changes to the articles of incorporation) of the Debtor and the issuance of the certificate of amendment in accordance with Sections 191 and 262 of the CBCA;
  - (ii) the issuance and delivery of the Debtor's share certificates to the Acquirer (the "**New Shares**"), provided that following such transaction:
    - (A) the Acquirer shall be the sole holder of all of the issued and outstanding shares of the Debtor, free and clear of any hypothecs, mortgages, pledges, encumbrances or any other form of charge and/or real right whatsoever; and
    - (B) any options to acquire shares, any convertible debentures and any other securities conferring the right to subscribe to the Debtor's share capital, shall have been cancelled.
- 1.25 "**Secured Claims**": means the claims of secured creditors, as such term is defined in Section 2 of the Act.
- 1.26 "**Secured Creditors**": means any Person having a Secured Claim.
- 1.27 "**Trustee**": means **RAYMOND CHABOT INC.** (Jean Gagnon, CPA, CA, CIRP, LIT, Designated Person), as trustee acting with respect to the Proposal of The S.M. Group International Inc.
- 1.28 "**Trustee's Certificate**": means the certificate issued by the Trustee under section 65.3 of the Act confirming the full performance of the Proposal. The Trustee will issue the Trustee's Certificate as soon as the Conditions are fulfilled.
- 1.29 "**Unsecured Claims**": means the provable claims within the meaning of the Act, of any nature whatsoever, including any and all claims and undertakings, present or future, whether payable or not as at the Date of the Proposal, including any contingent claims and unliquidated claims (once they become provable claims in accordance with the Act) stemming from any obligation incurred by the Debtor prior to the Date of the Proposal, excluding, however, the Secured Claims, Employee Claims, Crown Claims, current undertakings under Section 6.1 of the Proposal, Preferred Claims and Fees and Costs of the Proposal. For greater certainty, Unsecured Claims shall specifically include the claims of Alaris Royalty Corp., Integrated Private Debt Fund V LP., Export Development Canada (EDC), Intact Insurance Company, Investissement Québec, Signaterre Environnement Inc. and the City of Montréal (Minister of Justice and Attorney General).
- 1.30 "**Unsecured Creditors**": means any Person having a Unsecured Claim.

## 2. AMENDMENT TO THE ARTICLES OF INCORPORATION OF THE DEBTOR

- 2.1 The Debtor is insolvent and all of its share capital has no value.
- 2.2 The Debtor does not have the means to finance this Proposal. The Proposal can only be carried out with the equity investment of a third party.

2.3 The Acquirer is prepared to make the Investment in the Debtor to finance the Proposal, the whole in exchange for the New Shares. However, the Investment shall only be made if the Reorganization takes place.

2.4 Therefore, any vote in favour of the Proposal shall constitute a vote in favour of the Reorganization.

### 3. **CONDITIONS**

3.1 **Conditions:** The Proposal is conditional upon the satisfaction of all of the following conditions precedent (collectively, the “**Conditions**”) on or before the Deadline:

- (i) an Affirmative Vote by the majorities required under the Act;
- (ii) the setting up and disbursement of the Investment;
- (iii) the issuance of the Approval Order;
- (iv) the filing of articles of reorganization with the Director under the CBCA;
- (v) the receipt by the Trustee of the Amount Offered for Distribution;
- (vi) the filing with the Court of the Trustee’s Certificate; and
- (vii) the implementation and completion of all of the steps relating to the Reorganization.

### 4. **PAYMENT OF SECURED CREDITORS**

4.1 The value attributed to the sureties relating to the Secured Claims is equal to zero dollars (\$0). Consequently, the Secured Claims shall be considered, for all legal purposes, to be Unsecured Claims and shall therefore receive the treatment set out in the Proposal for Unsecured Claims, including the dividend set out in Section 10 of the Proposal, the whole as full and final payment of the Secured Claims against the Debtor.

### 5. **PAYMENT OF THE FEES AND COSTS OF THE PROPOSAL**

5.1 The Fees and Costs of the Proposal, as well as the payment of the legal costs stemming from these proceedings, shall be paid by the Debtor in addition to the payments provided for in this Proposal.

### 6. **PAYMENT OF CURRENT UNDERTAKINGS**

6.1 The Debtor’s undertakings with respect to goods provided, services rendered and other considerations given to the Debtor after the Date of the Proposal shall be paid by the Debtor in the normal course of business, in compliance with its undertakings, and in accordance with prevailing market conditions, without exceeding the fair market value of such goods and services.

**7. PAYMENT OF CROWN CLAIMS**

7.1 The Crown Claims shall be paid in full within six (6) months of the Approval Order, out of the Amount Offered for Distribution, with any related interest and penalties under applicable laws, regulations and decrees, but before any payment to the creditors provided for in Sections 8, 9 and 10.

**8. PAYMENT OF EMPLOYEE CLAIMS**

8.1 The Employee Claims shall be paid and discharged in full and without interest, in priority, out of the Amount Offered for Distribution, the whole within thirty (30) days of the Approval Order.

**9. PAYMENT OF PREFERRED CLAIMS**

9.1 The Preferred Claims, other than the Fees and Costs of the Proposal and Employee Claims, shall be paid and discharged in full and without interest, in priority over any Unsecured Claims, out of the Amount Offered for Distribution, the whole within thirty (30) days of the Approval Order.

**10. PAYMENT OF UNSECURED CLAIMS**

10.1 The Unsecured Claims shall be paid and discharged in full and without interest, as follows, out of the Amount Offered for Distribution, but after deducting the amounts distributed under Sections 7, 8 and 9 of the Proposal (the "**Balance of the Amount Offered for Distribution**"), the whole within thirty (30) days of the Approval Order:

- (i) for each Unsecured Claim, by the payment of the lesser amount between (i) one thousand dollars (\$1,000.00), and (ii) the aggregate amount of the Unsecured Claim (the "**First Tranche**"); and
- (ii) for the portion of each Unsecured Claim in excess of one thousand dollars (\$1,000.00), as applicable, by the allocation, on a *pro rata* basis, of the amount representing the Balance of the Amount Offered for Distribution, minus the amount necessary for the payment of the First Tranche.

**11. PAYMENT OF RELATED CREDITORS' CLAIMS**

11.1 Subject to the issuance of the Approval Order, the Debtor will cause the Related Creditors to waive any claims whatsoever payable under the Proposal.

**12. OTHER PROVISIONS**

12.1 **Appointment of Inspectors:** The Debtor accepts the appointment of no more than three (3) inspectors to be designated by the creditors, at the general meeting of creditors convened to consider this Proposal, and such inspectors shall have the powers set forth in the *Bankruptcy and Insolvency Act*, as well as the power to extend the Deadline. The inspectors shall exercise their powers until the trustee issues the Trustee's Certificate.

- 12.2 **Preferences and Transfers at Undervalue:** By accepting this Proposal, the creditors specifically waive the right to exercise, against the Debtor and any third party, the recourses provided in Sections 95 to 101 of the Act, as well as the recourses provided under any other provincial legislation with a similar object, including, but without limiting the foregoing, the recourses provided under Sections 1631 and 1636 of the *Civil Code of Québec*, the whole in accordance with Section 101.1 of the Act.
- 12.3 **Distribution:** Raymond Chabot Inc. shall act as trustee under this Proposal, and all sums payable under this Proposal shall be fully paid in the hands of Raymond Chabot Inc. for further distribution to the creditors.

**In case of discrepancies between the English version and the French version of the Proposal, the French version will prevail over the English version.**

Executed in Montréal this 16<sup>th</sup> day of January 2019.

**DELOITTE RESTRUCTURING INC.**, in its capacity as Court-Appointed Monitor of The S.M. Group International Inc.

Per:

  
Benoit Clouâtre, CPA, CA, CIRP

  
Witness