

RS Technologies Inc.
CCAA Communications Package

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CCAA FAQ's

Suppliers

A. Frequently Asked Questions - Suppliers

1. What is the CCAA?

- The *Companies' Creditors Arrangement Act*, (the "CCAA") is a federal statute that enables companies to restructure their financial affairs and operations under the supervision of the Courts.
- As part of the CCAA proceedings, the Court grants a "stay of proceedings" in favour of the Company which prevents creditors from taking action against the Company, giving it the time and stability to enable it to restructure while continuing to operate.
- A monitor is appointed by the Court to oversee the restructuring and report periodically to the Court.
- The original stay of proceedings and the appointment of a monitor is typically provided by an initial order of the court (the "**Initial Order**").

2. What is the Monitor?

- The Monitor is an officer of the Court whose responsibilities include assisting the Company with its restructuring, reporting to the Court from time to time on the progress of the CCAA proceedings and, ultimately, providing a recommendation on any plan of arrangement or proposed sale. In this case, FTI Consulting Canada Inc. has been appointed as Monitor.
- The Company will be giving its full co-operation to the Monitor.

3. Is the Company bankrupt?

- No. Under Canadian insolvency and restructuring laws, "bankruptcy" is a specific type of proceeding under which an insolvent company's operations are terminated and its assets are sold or "liquidated" by a trustee in bankruptcy.
- The CCAA proceeding prevents creditors from forcing the Company into bankruptcy. For this reason, CCAA proceedings are sometimes referred to as "bankruptcy protection".

4. Why did the Company file for protection under the CCAA?

- The Company's business required a significant amount of start-up capital which resulted in debt levels that are unsustainable given current sales levels and operating results. The Company believes that a restructuring under the CCAA is appropriate to deal with both its financing requirements and its need to recapitalize the balance sheet in an effort to protect the long-term viability of the Company.

5. What happens in a CCAA filing?

- The Company is given time to develop and implement a strategy to restructure its business. Generally a business can be restructured by a sale of assets or through a “plan of arrangement” under which the financial and operational affairs of the Company are restructured through compromises with creditors (for example, creditors settle for something less than the amount they believe they are owed, but more than they would receive in the event the Company were to go bankrupt).
- The Court will put a “stay of proceedings” in place to prevent creditors from taking actions that could destabilize the Company or force it into bankruptcy.
- Subject to the oversight of the Court, the Company remains in control of its business and operations and can take steps to complete its financial and operational restructuring and improve long-term viability.
- If a plan of arrangement is developed, creditors are given the ability to vote on the plan. If it is approved by the creditors and the Court, the Company implements the plan and “emerges” from CCAA, as a continuing business, completing the process.

6. How long will the CCAA proceeding take to complete?

- At this time, it is not possible to say how long the proceedings will take to complete. However, the Monitor will be seeking Court approval of a sales and investor solicitation process (“SISP”) shortly after the commencement of the CCAA proceedings. The SISP may provide for an initial bid to be made by a prospective purchaser and will set out the timing of an expedited marketing and sales procedure for some or all of the Company’s assets or shares. The SISP is expected to form the basis of the Company’s restructuring strategy, so it is expected that the proceedings will be relatively short.
- The Court has granted a stay of proceedings of 30 days, which is the maximum allowed by law on an initial application under the CCAA. The Company is entitled to request extensions of that time and these extensions are routinely granted as long as the Company continues to work in good faith towards a sale or restructuring.

7. Who is now in charge of the Company?

- The executive management team remains in control of the Company and its operations, subject to the specific requirements of the CCAA Orders.

8. What does the filing mean for the Company’s operations?

- The Company will continue to operate in normal course throughout the CCAA proceedings.

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9. Does the Company have sufficient financing to continue operations?

- Yes. We have arranged for and the Court has approved interim financing to ensure that we have sufficient cash to fund the Company's operations during the restructuring process. The Company's first secured creditors Werklund Capital Corporation and Melbye Skandinavia AS are providing interim financing.

10. I have unpaid invoices for goods/services delivered prior to the CCAA filing. Will these amounts be paid?

- The Initial Order prohibits the company from making payments for goods or services provided to the Company before the date of the Initial Order (March 12, 2013). There is no need to file a claim at this time for unpaid invoices for goods or services delivered prior to March 12, 2012. You will be provided prior notice of any requirement to file a claim.

11. How do I file a claim for amounts outstanding?

- It is anticipated that a procedure for the filing of claims will be approved by the Court at a future date in the proceedings. You will be notified of the claims procedure once it has been approved.

12. Do I continue dealing with my existing contacts?

- Yes, you should continue to deal with your regular contacts.

13. Do I have to continue to provide goods/services to the Company?

- The CCAA and the Initial Order provides that anyone having a written or oral agreement to provide goods or services to the Company are prohibited from terminating or modifying such arrangements, provided that the Company pays the normal prices or charges for such goods or services. However, the CCAA and the Initial Order does not prohibit anyone from requiring immediate payment for goods or services provided after the date of the Initial Order. Accordingly, suppliers are required to continue to provide goods or services to the Company under existing agreements, but are not required to extend credit to the Company.

14. I understand that I can recover goods that I delivered in the last 30 days. Is that correct?

- No. The rights to which you refer arise only in bankruptcy or receivership proceedings. This right does not arise under the CCAA.

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15. How will I be kept informed of developments during the proceedings?

- We will provide periodic updates on the progress of the restructuring and any key developments. In addition, Court materials, including Monitor's reports, will available on the internet at:

<http://cfcanada.fticonsulting.com/rs>