COURT FILE NUMBER	1301-02432
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANTS	IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF RS TECHNOLOGIES INC.
DOCUMENT	**SIXTH REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS MONITOR OF RS TECHNOLOGIES INC.** **August 30, 2013**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** FTI Consulting Canada Inc. 1000, 888-3rd Street S.W. Calgary, AB T2P 5C5 Deryck Helkaa / Dustin Olver Telephone: (403) 444-5372 / (403) 444-5383 Fax: (403) 444-6758 E-mail: deryck.helkaa@fticonsulting.com dustin.olver@fticonsulting.com **COUNSEL** McCarthy Tétrault LLP Suite 3300, 421 - 7th Avenue SW Calgary, AB T2P 4K9 Sean Collins / Walker MacLeod Telephone: (403) 260-3531 / (403) 260-3710 Fax: (403) 260-3501 Email: scollins@mccarthy.ca wmacleod@mccarthy.ca

INTRODUCTION

1. By Order of this Honourable Court dated March 14, 2013 (the "**Initial Order**"), RS Technologies Inc. (the "**Applicant**", "**RS**" or the "**Company**") obtained protection from its creditors under the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36*, as amended (the "**CCAA**").

2. The Initial Order, among other things, granted a stay of proceedings until April 12, 2013, (the "**Stay Period**") , and appointed FTI Consulting Canada Inc. ("**FTI Consulting**") as monitor (the "**Monitor**") of the Applicant in these proceedings (the "**CCAA Proceedings**").

3. On March 27, 2013 this Honourable Court granted an order approving a key employee retention plan and allowing RS, with approval from the Monitor, to make certain payments to critical suppliers on account of pre-filing obligations. Two further orders were granted on April 11, 2013. The first was an order (the "**Reverse Claims Order**") approving the Monitor, in consultation with the Company, to implement a reverse claims procedure (the "**Claims Procedures**"). The second was an order (the "**SISP Approval Order**") approving the proposed sales and investor solicitation procedures ("**SISP**") and accompanying asset and share purchase agreement (the "**ASPA**") put forth by Werklund Capital Corporation ("**Werklund**") and Melybe Skandinavia AS ("**Melbye**") (collectively "**Werklund/Melbye**" or the "**Stalking Horse Credit Bidder**").

4. The Stay Period has been extended on several occasions. Pursuant to the Order of this Court dated August 23, 2013, the Applicant's Stay Period was extended until and including September 13, 2013 (the "**August Extension Order**").

5. On April 5, 2013, RS, with the approval of the Monitor, provided a third party distributor, Armor Utility Pty Limited ("**Armor**") with notice of its intent to disclaim (the "**Disclaimer Notice**") a distribution agreement between RS and Armor (the "**Distribution Agreement")**. On April 22, 2013, Armor filed an application to oppose the Disclaimer Notice. On August 2, 2013 this Honourable Court issued an Order in favour of Armor, negating the Applicant's disclaimer of the Distribution Agreement. Also on August 2, 2013, the Applicant and Armor reached a settlement agreement (the "**Armor Settlement Agreement**") with respect to the Distribution Agreement.

6. On August 23, 2013 the proposed plan of compromise and arrangement (the "**Plan**") dated August 22, 2013 was filed and is attached, without schedules, as Appendix "A" of this report.

7. On August 22, 2013 the Monitor filed its Fifth Monitor's Report which, *inter alia*, described the Plan, the estimated recoveries for creditors in a liquidation scenario and any alternatives to the plan. The Monitor recommended the implementation of the Plan, as it represents the highest recovery available for Creditors with Affected Claims.

8. On August 23, 2013 this Honourable Court granted an order (the "**Meeting Order**") directing the Applicant to hold a meeting of its Affected Creditors on August 29, 2013 (the "**Creditors' Meeting**").

9. The Creditors' Meeting was held on August 29, 2013 to consider and vote on the Plan.

10. Further background information regarding the Applicant and the CCAA Proceeding (including Monitor's reports and affidavits filed in support of the various applications by the Applicant) has been posted on the Monitor's website for the CCAA Proceedings at http://cfcanada.fticonsulting.com/RS.

PURPOSE OF THIS REPORT

11. The purpose of this sixth report of the Monitor (the "**Report**") is to inform the Court with respect to the following:

    (a) provide this Honourable Court with an update with respect to the operational and financial performance of RS since the fifth report of the Monitor, August 23, 2013;

    (b) advise this Honourable Court of a proposed amendment to the ASPA;

    (c) the approval of the Plan by the requisite majority of the Affected Creditors;

    (d) Ontario Securities Commission Exemption Application; and

    (e) the Applicant's request for an Order pursuant to section 6 of the CCAA for sanction of the Plan, and the Monitors recommendations thereon.

TERMS OF REFERENCE

12. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicant, RS's books and records, certain financial information prepared by the Applicant and discussions with the Applicant's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

13. Capitalized terms not otherwise defined herein have the meaning given to them in the Elliott Initial Order Affidavit, Initial Order, Reverse Claims Order, SISP Approval Order, the SISP, Meeting Order or the Plan.

14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

UPDATE ON THE ACTIVITIES OF THE MONITOR

OPERATIONAL UPDATE

15. Since the granting of the August Extension Order, the Applicant's operations have continued with no material changes. During the Reporting Period, the Applicant has been able to arrange for continuation of services from suppliers and the Applicant's employees and the majority of their suppliers have been supportive of RS's restructuring efforts. Throughout the CCAA Proceedings, RS has been in communication with its customers and to date RS has not experienced any significant delays or cancellation of customer orders. The general support from RS's employees, suppliers and customers has allowed RS to operate in the normal course throughout the Reporting Period.

FINANCIAL UPDATE

16. Since this Honourable Court granted the August Extension order there have been no material changes to the Applicant's cash flow forecast going forward to September 13, 2013.

AMENDING AGREEMENT

17. The Buyers are seeking to amend the ASPA (the "**Amending Agreement**") so as to pay the Trade Liabilities in full within sixty days of the Closing Date or in accordance with any agreement in writing entered into between the Seller and the Unaffected Creditors to whom the Trade Liabilities are owed. The Amending Agreement would align the distribution timing in the ASPA with the timeline set out in the Plan. The proposed amendment is subject to Court Approval.

18. The Monitor is supportive of the Amending Agreement which will allow for sufficient time for the Applicant to arrange for full payment of the amounts owing to creditors with Trade Liabilities and in the Monitor's opinion the amendment does not adversely impact the Trade Creditors. The Amending Agreement, without schedules, is attached as Appendix "B" of this Report.

19. The Monitor further notes that the Buyers, upon implementation of the Plan, will be granting a new credit facility to the Applicant that will provide it with sufficient working capital to allow for sufficient funding to ensure the Trade Liabilities are paid in full and to fund future working capital requirements.

THE APPROVAL OF THE PLAN BY AFFECTED CREDITORS

NOTICE OF CREDITORS' MEETING

20. Notice of the Creditors' Meeting was provided in accordance with the provisions of the Meeting Order as follows:

    (a) the Creditors' Meeting Materials were posted on the Monitor's website on August 23, 2013; and

    (b) the Notice of the Creditors' Meeting and the form of Proxy were sent via email on August 26, 2013 to the common counsel of the Affected Creditor's together with details of the Monitor's website where the Creditors' Meeting Materials could be obtained.

MEETING OF THE AFFECTED CREDITORS CLASS

21. The Creditors' Meeting was held at 2:00 p.m. on August 29, 2013 for the purpose of allowing Affected Creditors to consider and vote on the Plan. The Creditors' Meeting was chaired by Deryck Helkaa, a representative of the Monitor and was conducted in accordance with the provisions of the Creditors' Meeting Order. A quorum was present for the Creditors' Meeting as defined in the Meeting Order.

22. The Monitor appointed a scrutineer from its firm for the supervision and tabulation of the attendance, quorum, votes cast at the Creditors' Meeting and to act as the designated secretary.

23. Pursuant to Section 6 of the CCAA, a majority in number representing two-thirds in value of creditors present and voting at a meeting of creditors is required for the approval of a plan of arrangement or compromise. The Plan was approved by 100% of Affected Creditors voting by proxy. Accordingly, the Plan was approved by the Creditors holding Affected Claims.

ONTARIO SECURITIES COMMISSION EXEMPTION APPLICATION

24. The material transactions that will occur under the Plan include:

    (a) the ASPA proceeding as a share purchase transaction (the "**Share Purchase**");

    (b) all of the existing shares of RS will be retracted and cancelled for no consideration;

    (c) Werklund/Melbye will become the sole Class "A" common shareholders of RS, which shares will be voting shares; and

    (d) the Affected Creditors will become the sole Class "B" common shareholders of RS, which shares will be non-voting shares.

25. As RS is a reporting issuer in each of the Provinces of Alberta, British Columbia, Ontario and Nova Scotia, and as the Share Purchase constitutes a "business combination" for the purpose of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"), RS is required to obtain, among other things, minority approval of the Share Purchase pursuant to section 4.5 MI 61-101.

26. In order to facilitate the completion of the Share Purchase, RS submitted an application (the "**Exemption Application**") to the Ontario Securities Commission (the "**OSC**") pursuant to section 9.2 of MI 61-101 for relief from, among other things, the requirement of section 4.5 to obtain minority approval of the Share Purchase on August 9, 2013. Attached hereto at Appendix "C" are copies of the Exemption Application and draft decision document.

27. While the relief requested as part of the Exemption Application has not yet been granted, the OSC has indicated that it requires this Honourable Court to be advised of the requirements of MI 61-101 regarding minority approval for business combinations pursuant to MI 61-101 and the contents of, and exemptions contemplated by, the draft decision document; such that it may acknowledge that it does not require compliance with section 4.5 of MI 61-101.

APPLICATION FOR SANCTION OF THE PLAN

28. The case of *Re Northland Properties Ltd*. (1989), 73 C.B.R. (N.S.) 195, 34 B.C.L.R. (2d) 122, [1989] 3 W.W.R. 363 (C.A.) articulated that for a plan of arrangement or compromise to be sanctioned pursuant to the CCAA, the following three tests must be met:

(e) There has been strict compliance with all statutory requirements and adherence to previous orders of the Court;

(f) Nothing has been done or purported to have been done that is not authorized by the CCAA; and

(g) The plan is fair and reasonable.

STATUTORY COMPLIANCE AND ADHERENCE TO PREVIOUS COURT ORDERS

29. The Plan provides for the payment in full within six months after the date of the Sanction Order of any amounts owing to Her Majesty in right of Canada that are of a kind referred to in Section 18.2(1) of the CCAA.

30. The Monitor is not aware of any instances where the Applicant has not substantially complied with the Orders granted by this Honourable Court during the CCAA Proceedings.

ACTIONS NOT AUTHORIZED BY THE CCAA

29. The Monitor is not aware of any instances where the Applicant has taken or has purported to have taken any action that is not authorized by the CCAA.

FAIRNESS AND REASONABLENESS OF THE PLAN

30. In *Re Canadian Airlines Corp*., (2000), 20 C.B.R. (4th) 1, leave to appeal refused, 20 C.B.R. (4th) 46 (C.A.), the Honourable Madam Justice Paperny, then of the Alberta Court of Queen's Bench, stated that the following are relevant considerations in determining whether a plan is fair and reasonable:

(a) The composition of the unsecured vote;

(b) What creditors would receive on liquidation or bankruptcy as compared to the Plan;

(c) Alternatives available to the Plan and bankruptcy;

(d) Oppression;

(e) Unfairness to shareholders; and

(f) Public interest.

COMPOSITION OF THE UNSECURED VOTE

31. The Plan was voted on by the Affected Creditors voting in one class of unsecured creditors. The Affected Creditors were grouped in a single class in accordance with the Meeting Order, with no objections from the Creditors. The Monitor believes that such Creditors have a commonality of interest and that the classification is appropriate in the circumstances. As stated earlier in this report,

the Plan was approved by the requisite majorities of Affected Creditors.

LIQUIDATION AS COMPARED TO THE PLAN

32. As described in the Monitor's Fifth Report, the Plan provides for a higher recovery for all Affected Creditors than the estimated recovery in the event of liquidation.

ALTERNATIVES AVAILABLE TO THE PLAN

33. As described in previous Monitor's reports, an extensive Court-approved SISP has been carried out under the supervision of the Monitor. The SISP generated no binding offers other than the ASPA. Accordingly, the Monitor believes that there are no viable alternatives to the Plan that could result in higher recoveries for Affected Creditors.

34. The Plan also requires that all Trade Liabilities are paid in full within 60 days of the implementation of the Plan.

35. As discussed in the Monitor's Fifth Report, it is the Monitor's view that the implementation of the Plan represents the highest recovery available for Creditors with Affected Claims. All Affected Creditors have been afforded the opportunity to vote on the Plan and the Plan has been approved by 100% of Affected Creditors. Accordingly, there is no apparent oppression that would arise from the implementation of the Plan.

FAIRNESS TO SHAREHOLDERS

36. Based on the Liquidation Analysis, the Existing Shareholders have no economic interest and would recover nil in liquidation or an asset purchase under the ASPA.

37. The Monitor advises that the application for the Sanction Order will be:

    (a) press released by the Applicant;

    (b) sent to the transfer agent and preferred shareholders; and

(c) posted on SEDAR.

PUBLIC INTEREST

35. The Monitor believes that there is nothing in respect of the implementation of the Plan that could be considered to be contrary to the public interest. Furthermore, the Plan will allow for a continuation of the Applicant's operations on a going-concern basis.

THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

37. In the Monitor's view:

(a) The Affected Creditors have approved the Plan;

(b) There has been compliance with all requirements of the CCAA and has adhered to previous orders of the Court made in the CCAA Proceedings;

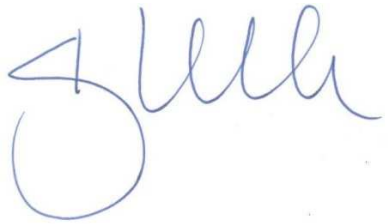
(c) Nothing has been done or purported to be done that is not authorized by the CCAA; and

(d) The Plan is fair and reasonable.

36. Accordingly, the Monitor respectfully recommends that this Honourable Court grant the Applicant's request for sanction of the Plan and approve the amendment to the ASPA.

All of which is respectfully submitted this 30th day of August, 2013.

FTI Consulting Canada Inc.
in its capacity as the Court-Appointed Monitor
of RS Technologies Inc.



Deryck Helkaa CA●CIRP
Senior Managing Director

APPENDIX A

PLAN OF COMPROMISE AND ARRANGEMENT

COURT FILE NUMBER	1301-02432	Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANTS	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED** **AND IN THE MATTER OF THE *ALBERTA BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9, AS AMENDED** **AND IN THE MATTER OF RS TECHNOLOGIES INC.**	
DOCUMENT	**PLAN OF COMPROMISE AND ARRANGEMENT**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Gowling Lafleur Henderson LLP 1400, 700 2nd Street SW Calgary, Alberta T2P 4V5 Phone: 403-298-1938 / 403-298-1818 Fax: 403-695-3538 Attention: Tom Cumming / Jeffrey Oliver File No. A130324	

PLAN OF COMPROMISE AND ARRANGEMENT

RECITALS

A. The Company is a corporation incorporated under the ABCA and is insolvent.

B. The Company commenced concurrent proceedings under the CCAA and ABCA and obtained the Initial Order from the Honourable Madam Justice J. Strekaf on March 14, 2013 which, among other things, appointed the Monitor of the Company, stayed proceedings against the Company and permitted the filing, upon further order of the Court, of a plan of compromise and arrangement under the CCAA and ABCA to the Affected Creditors.

C. Pursuant to the ASPA between the Company as seller, Werklund and Melbye as buyers, and the Monitor, the Company agreed to either (i) sell all of a newly created class of voting common shares to the Buyers conditional upon the approval of a plan of compromise and arrangement under the CCAA and ABCA by the Affected Creditors, its sanctioning by the Court and its implementation, or (ii) sell all of its undertaking, property and assets pursuant to an approval and vesting order issued by the Court.

D. This Plan is the Buyers CCAA Plan as contemplated by the ASPA and will facilitate the continuation of the business of the Company as a going concern and makes provision for recoveries to certain stakeholders.

NOW THEREFORE Werklund and Melbye hereby propose and present this Plan under and pursuant to the CCAA and the ABCA:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

The following capitalized terms will have the meanings set out below:

(a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, Chapter B-9 (Alberta), as amended.

(b) "**Administration Charge**" means a charge created under the Initial Order securing the Administration Obligations, subject to the limits set out in the Initial Order or in any other Order consented to by the Buyers.

(c) "**Administration Obligations**" means the unpaid professional fees and disbursements of the Monitor, counsel to the Monitor and counsel to the Company in connection with the CCAA Proceedings that were and are incurred both before and after the granting of the Initial Order.

(d) "**Affected Claims**" mean:

(i) Claims arising or existing prior to the Filing Date;

(ii) Claims filed and proven by Creditors under the Claims Procedure (other than Unaffected Claims); and

(iii) Claims of Employees who are not Retained Employees other than in respect of unpaid wages arising after the Filing Date,

but exclude any Unaffected Claims or any Claims contemplated by section 19(2) of the CCAA. As of August 19, 2013, the only Affected Claims which are Proven Claims under the Claims Procedure, and the quantum of those Proven Claims, are set out in on Schedule "A" hereto.

(e) "**Affected Creditors**" means a Creditor holding an Affected Claim.

(f) "**Armor**" means Armor Utility Structures PTY Limited and its successors and assigns.

(g) "**Armor Settlement Agreement**" means the settlement agreement dated as of August 2, 2013 between Armor and the Company.

(h) "**Articles**" means the articles of amalgamation of the Company filed on January 1, 2009, as amended June 8, 2010, November 29, 2010 and July 5, 2011.

(i) "**Articles of Reorganization**" is defined in Section 4.4.

(j) "**ASPA**" means the Asset and Share Purchase Agreement dated as of April 11, 2013 between the Company, the Buyers and the Monitor, as amended from time to time.

(k) "**Auditors**" is defined in Section 5.6.

(l) "**Business**" means the business carried on by the Company consisting of designing, engineering and manufacturing modular composite poles that are used in transmission, distribution and communication applications, and selling and distributing such poles to customers in Canada, the United States of America, the Caribbean, Scandinavia, Australia, New Zealand, Russia, Ukraine, Kazakhstan, Belarus and Guatemala.

(m) "**Buyers**" means, collectively, Werklund and Melbye, and "**Buyer**" means any one of them.

(n) "**CCAA**" means the *Companies' Creditors Arrangement Act*, R.S.C. 1958, c. C-36.

(o) "**CCAA Charges**" means the Administration Charge, the Interim Financing Charge and the KERP Charge.

(p) "**CCAA Proceedings**" means the proceedings initiated by the Company with the Court pursuant to an originating application under the CCAA and ABCA.

(q) "**Chatham**" means The Corporation of the Municipality of Chatham-Kent.

(r) "**Chatham Mortgage**" means a charge/mortgage in favour of Chatham in the original principal amount of $1,403,500 against the lands and premises legally described as Part Lot 15, Concession 4, Geographic Township of Tilbury East in the Municipality of Chatham-Kent and municipally known as 22 Industrial Park Road, Tilbury, Ontario, containing 9.8 acres more or less.

(s) "**Claim**" means a "claim", as that term is defined and interpreted in the CCAA.

(t) "**Claims Bar Date**" means May 17, 2013 at 5:00 pm.

(u) "**Claims Notice**" is defined in the Claims Procedure Order.

(v) "**Claims Procedure**" means a reverse claims procedure contemplated by section 20 of the CCAA requiring that all claims of Creditors of the Company be proven in accordance with the procedure set out in such Order, and requiring that any Creditors who wish to dispute their claim or submit a proof of claim do so by no later than the Claims Bar Date.

(w) "**Claims Procedure Order**" means an Order of the Honourable Madam Justice Strekaf made on April 11, 2013 pursuant to which the Court implemented the Claims Procedure.

(x) "**Class A Common Shares**" are defined in Section 4.4.

(y) "**Class A Shareholder**" means a holder of issued and outstanding Class A Common Shares.

(z) "**Class B Common Shares**" are defined in Section 4.4.

(aa) "**Class B Shareholder**" means a holder of issued and outstanding Class B Common Shares.

(bb) "**Company**" means RS Technologies Inc.

(cc) "**Court**" means the Alberta Court of Queen's Bench presiding over the CCAA Proceedings or any appeals court therefrom.

(dd) "**Creditor**" means any Person holding a Claim against the Company.

(ee) "**Creditors' Meeting**" means the meeting of the Affected Creditors to be called and held pursuant to the Meeting Order for the purpose of considering and voting upon this Plan, and includes any adjournment of such meeting.

(ff) "**Debenture**" means the secured convertible debenture executed on or about July 5, 2011 by the Company and held by the Buyers.

(gg) "**Debenture Obligations**" means the Obligations of the Buyers under the Debenture.

(hh) "**Directors**" means any past or present directors of the Company.

(ii) "**Dispute**" is defined in Section 5.6.

(jj) "**Dispute Notice**" is defined in the Claims Procedure Order.

(kk) "**Effective Time**" means 10:00 a.m. (Calgary time) on the Plan Implementation Date or such other time on such date as the Company, the Buyers and the Monitor agree.

(ll) "**Employees**" means all personnel and independent contractors employed, engaged or retained by the Company in connection with the Business, including any that are on medical or long-term disability leave or other statutory or authorized leave of absence.

(mm) "**Encumbrance**" means any mortgage, charge, security interest, pledge, assignment, hypothecation, title retention, finance lease or trust (whether contractual, statutory or otherwise) securing payment or performance of any Claim, or any lien, restriction, option, adverse claim, right of others or other encumbrance of any kind.

(nn) "**Existing Shareholder**" means any holder of Existing Shares.

(oo) "**Existing Shares**" means any common shares, preferred shares and other securities (including stock options, warrants or other rights to acquire securities of any nature of the Company) in the capital of or issued by the Company.

(pp) "**Filing Date**" means the date on which the Initial Order was made, being March 14, 2013.

(qq) "**Governmental Authority**" means any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.

(rr) "**Initial Order**" means an Order of the Honourable Madam Justice J. Strekaf in the CCAA proceedings made on March 14, 2013, pursuant to which the Company was declared to be a company to which the CCAA applies, FTI Consulting Canada Inc. was appointed as the Monitor of the Company, any proceedings against the Company were stayed, the Company was permitted, upon further

order of the Court, to present a plan of compromise and arrangement to its creditors, and the Monitor, for and on behalf of the Company, was authorized to enter into the Interim Financing Credit Agreement with the Buyers as lenders.

(ss) "**Interim Financing Charge**" means the charge created under the Initial Order securing the Interim Financing Obligations.

(tt) "**Interim Financing Credit Agreement**" means an interim financing credit agreement dated as of March 14, 2013 between the Company (executed on behalf of the Company by the Monitor) as borrower and the Buyers as lenders.

(uu) "**Interim Financing Obligations**" means the Obligations of the Company to the Buyers under the Interim Financing Credit Agreement.

(vv) "**ITA**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp.).

(ww) "**KERP**" means the key employee retention plan of the Company.

(xx) "**KERP Charge**" means the charge created under the KERP Order securing the KERP Obligations, subject to the limits set out in the KERP Order or in any other Order consented to by the Buyers.

(yy) "**KERP Obligations**" means the Obligations of the Company to the Employees under the KERP Order.

(zz) "**KERP Order**" means the Order of the Honourable Madam Justice K.M. Eidsvik of the Court made on March 27, 2013 approving the KERP.

(aaa) "**Letter of Instruction"** means a letter by a Buyer or Affected Creditor to the Company instructing the Company to issue to such Buyer or Affected Creditor the Shares to which such Buyer or Affected Creditor is entitled, and setting out such information as the Company requires, acting reasonably, in order to issue such Shares, including the full and complete name of such Buyer or Affected Creditor, the full and complete address of such Buyer or Affected Creditor, whether such Buyer or Affected Creditor is a Canadian citizen or Canadian corporation as defined in the ITA, and the email, phone and address information that such Buyer or Affected Creditor wishes the Company to use in communications relating to such Shares.

(bbb) "**Meeting Order**" means the Order in the CCAA Proceedings that, among other things, accepts the filing of this Plan and calls and sets the date for the Creditors' Meeting.

(ccc) "**Melbye**" means Melbye Skandinavia AS and any permitted assignee thereof under the ASPA.

(ddd) "**Melbye Share Certificate**" is defined in Section 6.1(a).

(eee) "**Monitor**" means FTI Consulting Canada Inc., in its capacity as Court appointed monitor of the Company in the CCAA Proceedings.

(fff) "**Monitor's Certificate**" is defined in Section 9.3.

(ggg) "**Obligations**" means any indebtedness, liabilities and obligations, whether present, future, direct, indirect, liquidated or contingent, whether due or to become due, owed by the Company to any Person.

(hhh) "**Officers**" means any past and present senior officers of the Company.

(iii) "**Order**" means an order of a Court in the CCAA Proceedings.

(jjj) "**Person**" will be broadly interpreted and includes: (i) a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or legal representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person; (ii) a corporation or a company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an unincorporated organization or any other association, organization or entity of any kind; and (iii) a Governmental Authority.

(kkk) "**Plan**" means this plan of compromise and arrangement filed by Werklund and Melbye pursuant to the CCAA and ABCA, as it may be further amended, supplemented or restated from time to time in accordance with the terms hereof or an Order.

(lll) "**Plan Implementation**" means the fulfillment, satisfaction or waiver of the conditions set out in Section 9.1 and the occurrence or effecting of the steps set out in Section 6.4.

(mmm) "**Plan Implementation Date**" means the date on which Plan Implementation occurs.

(nnn) "**Priority Payables**" means any Claims secured by any Encumbrance that ranks in priority to the Security Interests securing the Debenture Obligations and the Interim Financing Obligations, but for certainty excluding the Chatham Mortgage.

(ooo) "**Pro Rata**" means with respect to any Affected Creditor in relation to all Affected Creditors, the proportion of the (i) Proven Claim of the Affected Creditor, in relation to (ii) the aggregate Proven Claims of all Affected Creditors.

(ppp) "**Proof of Claim**" is defined in the Claims Procedure Order.

(qqq) "**Proven Claim**" means a Claim to the extent that such Claim is finally determined and valued in accordance with the provisions of the Claims Procedure Order or a further Order in the CCAA Proceedings.

(rrr) "**Purchase Price**" is defined in the ASPA.

(sss) "**Purchaser**" is defined in Section 5.5.

(ttt) "**Released Parties**" is defined in Section 7.1.

(uuu) "**Required Majority**" means a majority in number of the Affected Creditors who represent at least two-thirds in value of the Proven Claims of such Affected Creditors who actually vote on the resolution approving this Plan (in person or by proxy) at the Creditors' Meeting.

(vvv) "**Retained Employees**" is defined in the ASPA.

(www) "**Sanction Order**" is defined in Section 8.2.

(xxx) "**Securities Act**" means the *Securities Act*, RSA 2000, c S-4.

(yyy) "**Share Register**" means the share register created by the Company upon Plan Implementation to record the Shares issued from time to time by the Company.

(zzz) "**Shareholders**" means Class A Shareholders and/or Class B Shareholders and "**Shareholder**" means any one of them.

(aaaa) "**Shares**" means the Class A Common Shares and/or Class B Common Shares and "**Share**" means any one of them.

(bbbb) "**Stock Options**" is defined in Section 4.6(a).

(cccc) "**Trade Liabilities**" means all non-contingent trade liabilities that were incurred by the Company in the ordinary course of business for the supply of goods and services to the Company in relation to the Business and that are Proven Claims under the Claims Procedure, but specifically excluding any Claims arising from such supply of goods and services that are in the nature of general, special or consequential damages or any Claims relating to any contracts disclaimed by the Company under section 32 of the CCAA. The only Trade Liabilities are set out by Creditor and quantum of Proven Claim on Schedule "C".

(dddd) "**Unaffected Claims**" means:

(i) any Priority Payables;

(ii) the Obligations of the Company under the Chatham Mortgage;

(iii) any Claims for unpaid wages or other remuneration by Retained Employees;

(iv) Trade Liabilities;

(v) the Claims of Armor under the Armor Settlement Agreement; and

(vi) the Debenture Obligations and the Interim Financing Obligations.

(eeee) "**Unaffected Creditor**" means a Creditor that holds an Unaffected Claim.

(ffff) "**Werklund**" means Werklund Capital Corporation and any permitted assignee thereof under the ASPA.

(gggg) "**Werklund Share Certificate**" is defined in Section 6.1(a).

1.2 **Certain Rules of Interpretation**

For the purposes of this Plan:

(a) any reference in this Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions;

(b) any reference in this Plan to an Order or an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified, or supplemented;

(c) the division of this Plan into articles and sections are for convenience of reference only and do not affect the construction or interpretation of this Plan, nor are the descriptive headings of articles and sections intended as complete or accurate descriptions of the content thereof;

(d) the use of words in the singular or plural, or with a particular gender, including a definition, will not limit the scope or exclude the application of any provision of this Plan to such Person (or Persons) or circumstances as the context otherwise permits;

(e) the words "**includes**" and "**including**" and similar terms of inclusion will not, unless expressly modified by the words "**only**" or "**solely**", be construed as terms of limitation, but rather will mean "**includes but is not limited to**" and "**including but not limited to**", so that references to included matters will be regarded as illustrative without being either characterizing or exhaustive;

(f) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Calgary, Alberta (Mountain Time) and any reference to an event occurring on a Business Day will mean prior to 5:00 p.m. on such Business Day;

(g) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;

(h) unless otherwise provided, any reference to a statute or other enactment of parliament, a legislature or other Government Authority includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation;

(i) references to a specific Recital, Article or Section will, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specific Recital, Article or Section of this Plan, whereas the terms "**this Plan**", "**hereof**", "**herein**", "**hereto**", "**hereunder**" and similar expressions will be deemed to refer generally to this Plan and not to any particular Recital, Article, Section or other portion of this Plan and include any documents supplemental hereto; and

(j) the word "**or**" is not exclusive.

1.3 Successors and Assigns

This Plan will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in this Plan.

1.4 Currency

For the purposes of this Plan, all amounts will be denominated in Canadian dollars and all payments and distributions to be made in cash will be made in Canadian dollars. Any Claims or other amounts denominated in a foreign currency will be converted to Canadian dollars at the Reuters closing rate on the Filing Date.

1.5 Governing Law

This Plan will be governed by and construed in accordance with the laws of Alberta and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of this Plan and all proceedings taken in connection with this Plan and its provisions will be subject to the jurisdiction of the Alberta Court.

1.6 Schedules

The following schedules are attached to, incorporated by reference into and form part of this Plan:

Schedule "A"	-	Proven Claims of Affected Creditors
Schedule "B"	-	Share Provisions Schedule
Schedule "C"	-	Unaffected Creditors owed Trade Liabilities

ARTICLE 2 PURPOSE AND EFFECT OF THE PLAN

2.1 Purpose

The purpose of this Plan is:

(a) to enable the Company to continue its Business as a going concern from and after the Plan Implementation Date;

(b) to retract and terminate all Existing Shares for no consideration;

(c) to amend and restate the Articles to cancel and terminate the classes of Existing Shares and to create the Class A Common Shares and Class B Common Shares and set out the rights of such classes of shares;

(d) to issue Class A Common Shares to the Buyers upon payment by the Buyers of the Purchase Price in accordance with the ASPA;

(e) to issue Class B Common Shares to the Affected Creditors in full and final settlement of all Affected Claims;

(f) to provide for payments to Affected Creditors in accordance with Sections 5.4, 5.5 and 5.7; and

(g) to effect a full, final and irrevocable compromise, release, discharge, cancellation and bar of all Claims that are not Proven Claims.

This Plan is put forward in the expectation that the Persons with an economic interest in the Company, when considered as a whole, will derive a greater benefit from the implementation of this Plan and the continuation of the Business as a going concern than would result from a bankruptcy, receivership or liquidation of the Company.

2.2 Persons Affected by this Plan

This Plan affects:

(a) the Affected Creditors through the full, final and irrevocable compromise, release, discharge, cancellation and bar of the Affected Claims effective upon the distribution of the Class B Common Shares to the Affected Creditors, except for the purposes of calculating entitlement under Sections 5.4, 5.5 and 5.7;

(b) any Creditor having a Claim that is barred and extinguished under the Claims Procedure and Section 3.1; and

(c) the Existing Shareholders through the retraction, termination and cancellation of the Existing Shares.

2.3 **Unaffected Creditors**

Any Unaffected Claims will be satisfied by the Company in the manner and to the extent contemplated in Section 5.9 and are therefore uncompromised by this Plan. Consistent with the forgoing, all liabilities of the Released Parties in respect of Unaffected Claims, other than liability of the Company to satisfy the Unaffected Claims in the manner and to the extent contemplated in Section 5.9, will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred pursuant to Section 7.1. Nothing in this Plan will affect the Company's rights and defences, both legal and equitable, with respect to any Unaffected Claims, including but not limited to, all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

ARTICLE 3 CLASSIFICATION, VOTING AND RELATED MATTERS

3.1 **Claims Procedure**

(a) The procedure for determining the validity and quantum of the Affected Claims and Unaffected Claims will be governed by the Claims Procedure Order, the CCAA and any further Order in the CCAA Proceedings. A Creditor will, in respect of its own Claim, have the right to seek the assistance of the Court in valuing any Claim in accordance with the Claims Procedure.

(b) Nothing in this Plan will extend or amend the Claims Bar Date or give or be interpreted to give any rights to any Person in respect of Claims that have been barred or extinguished pursuant to the Claims Procedure. To the extent that any Creditor has any Claim:

(i) in addition to, or in excess of, what is set out in a Claims Notice directed to such Creditor, in respect of which the Creditor has not delivered to the Monitor a Dispute Notice or Proof of Claim; or

(ii) in respect of which the Creditor has not received a Claims Notice and has not delivered to the Monitor a Proof of Claim,

by no later than the Claims Bar Date, such Claim will be forever extinguished and such Creditor will be forever barred from making or enforcing such Claim against the Company or from participating as a Creditor, or receiving further notice in connection with the CCAA Proceedings, in respect of such Claim.

3.2 **Class of Creditors entitled to Vote upon this Plan**

The Affected Creditors will constitute a single class for the purposes of considering and voting upon this Plan. The Affected Creditors will be entitled to vote their Proven Claims at the Creditors' Meeting in respect of this Plan and receive Class B Common Shares in accordance with Section 5.2 and distributions in accordance with Sections 5.4, 5.5 and 5.7.

3.3 **Creditors' Meeting**

The Creditors' Meeting will be held in accordance with this Plan, the Meeting Order and any further Order in the CCAA Proceedings. The only Persons entitled to attend the Creditors' Meeting are:

(a) the Monitor and its legal counsel;

(b) the Affected Creditors (including the holders of proxies) with Proven Claims and their legal counsel;

(c) the Buyers and their officers, directors and legal counsel;

(d) the Company through its current Directors and Officers and the legal counsel of the Company; and

(e) any other Person admitted on invitation of the chair of the Creditors' Meeting.

3.4 **Approval of this Plan by the Affected Creditors**

Each Affected Creditor entitled to vote at the Creditors' Meeting will be entitled to one vote equal to the dollar value of its Proven Claim. In order for this Plan to be approved by the Affected Creditors, it must receive the affirmative vote of the Required Majority at the Creditors' Meeting.

3.5 **Creditors with Unaffected Claims**

No Unaffected Creditor in respect of an Unaffected Claim will be entitled to vote on this Plan or attend the Creditors' Meeting.

3.6 **Existing Shareholders**

No Existing Shareholder in respect of its Existing Shares will be entitled to vote on this Plan or attend the Creditors' Meeting.

ARTICLE 4 RESTRUCTURING OF THE COMPANY

4.1 **Corporate Actions**

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this Plan involving corporate action of the Company will occur and be effective as of Plan Implementation, and will be authorized and approved under this Plan and by the Court, where appropriate, as part of the Sanction Order, in all respects and for all purposes without any requirement of further action by the Existing Shareholders or current Directors or Officers of the Company. All necessary approvals to take actions will be deemed to have been obtained from the current Directors or Existing Shareholders, as applicable, including the deemed passing by any class of Existing Shareholders of any resolution or special resolution.

4.2 Ceasing to be a Reporting Issuer

Following Plan Implementation, the Company will apply to the Alberta Securities Commission, the Nova Scotia Securities Commission and the Ontario Securities Commission to cease to be a reporting issuer and will voluntarily surrender its reporting issuer status to the British Columbia Securities Commission and such application is deemed to be approved by the current Directors and Existing Shareholders.

4.3 Redemption and Cancellation of Existing Shares

Effective upon Plan Implementation, the issued and outstanding Existing Shares will be deemed to be redeemed and to be fully, finally and irrevocably cancelled and extinguished without any consideration and any and all Claims of the Existing Shareholders in respect of or arising from the Existing Shares will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred.

4.4 Articles of Reorganization

Effective upon Plan Implementation in accordance with Section 6.4(b), the Articles are deemed to be amended and restated under section 192 of the ABCA by articles of reorganization incorporating and implementing the terms of this Plan, canceling all classes of Existing Shares and deleting all references thereto from the Articles, and creating Class A common shares in the capital of the Company (the "**Class A Common Shares**") and Class B common shares in the capital of the Company (the "**Class B Common Shares**") having the attributes and rights set out in Schedule "B", and all provisions in the Articles relating to the Existing Shares and the rights and privileges of the Existing Shareholders are amended and restated by the terms and provisions set out on Schedule "B" (the articles of reorganization, to which the Sanction Order is attached as Exhibit "A" thereto, this Plan is attached as Exhibit "B" thereto, and the terms and provisions relating to the Shares set out on Schedule "B" and attached as Exhibit "C" thereto (each such document attached as an Exhibit to such articles of reorganization being incorporated in and forming part thereof) is defined as the "**Articles of Reorganization**").

4.5 Equity Financings by the Company after the Implementation Date

(a) Subject to Section 4.5(b), if at any time following the Plan Implementation Date the Company seeks equity financing (including the issuance of any debt that is or may become convertible into equity and including equity financing by Persons that are at arm's length to the Company), such financing will be for cash and will be offered on a non-exclusive basis and on identical terms to both Class A Shareholders and Class B Shareholders, each of whom will have the right but not an obligation to participate in such equity financing up to an amount equal to its pro rata share of the then currently issued and outstanding Shares (for certainty, prior to the completion of such financing), determined on the basis of the ratio of the number of Shares held by each Shareholder to the total number of issued and outstanding Shares. The Company will give the Shareholders fifteen (15) Business Days prior written notice of such financing, which notice will set out the terms of such financing. If a Shareholder does not elect in writing to participate

in such equity financing within such fifteen (15) Business Day period (which election will be deemed to be an irrevocable commitment to participate in such financing by subscribing for securities), the Company will be entitled to proceed with such financing on the identical terms as was originally offered to all Shareholders notwithstanding that its affect on non participating Shareholders is dilutive.

(b) The right of participation in equity financings granted in favour of the Class B Shareholders under Section 4.5(a) will continue for so long as there are any Class B Common Shares outstanding (or for so long as any securities into which the Class B Common Shares were converted or exchanged without the consent of, or an affirmative vote by, the Class B Shareholders are continued to be held by any Class B Shareholders).

4.6 **Stock Options**

(a) The Company will be entitled, in its discretion, to adopt stock option, warrant, share incentive or share purchase plans pursuant to which options or rights to acquire additional Class A Common Shares amounting in aggregate to up to fifteen percent (15%) of the issued and outstanding Class A Common Shares of the Company (the "**Stock Options**") may be granted by the Company to the directors, officers or Employees of or providers of goods and services to the Company and its subsidiaries. The Stock Options will be subject to time vesting to be determined by the board of directors of the Company. No other stock option, warrant, share incentive or share purchase plan which has the effect of exceeding the fifteen percent (15%) cap referred to above will be created without the consent of a majority of the Class B Shareholders.

(b) For greater certainty, effective on Plan Implementation all stock option plans of the Company in existence as of the Filing Date will be terminated and any Claims of any Person thereunder or arising as a result of such termination will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred.

ARTICLE 5 DISTRIBUTIONS

5.1 **Issuance of Class A Common Shares to Buyers**

Effective on the completion of the ASPA, and the payment of the Purchase Price pursuant to and in the manner contemplated by section 3.2 of the ASPA, the Company will issue to the Buyers 9,000,000 Class A Common Shares in accordance with Section 6.1, which Class A Common Shares will be allocated as follows:

(a) 4,500,000 Class A Common Shares will be registered in the name of Werklund; and

(b) 4,500,000 Class A Common Shares will be registered in the name of Melbye,

or in such other manner as the Buyers may direct in writing.

5.2 Issuance of Class B Common Shares to Affected Creditors

Effective on the Plan Implementation, the Company will issue to the Affected Creditors with Proven Claims an aggregate of 1,000,000 Class B Common Shares, in accordance with Section 6.2, which will be allocated among the Affected Creditors on a Pro Rata basis. The Monitor will make, acting reasonably, such minor adjustments (rounding up or down, as mathematically appropriate) to the amount of Class B Common Shares to be distributed to individual Affected Creditors in order to ensure that there is no fractional ownership of Class B Common Shares. No other Class B Common Shares will be issued by the Company without the consent of the majority of the Class B Shareholders.

5.3 Terms of Issuance of Class B Common Shares

The issuance of Class B Common Shares to the Affected Creditors will be subject to the following terms, which terms the Affected Creditors will be deemed to have agreed to upon Plan Implementation:

(a) such issuance will be without any representations or warranties of any kind by the Company;

(b) the Affected Creditor will accept such issuance as principal and not on account of or on behalf of any other Person as nominee;

(c) the Shares will not, as of the Implementation Date, be distributable to the public or offered for sale to the public as defined in the Securities Act and the Affected Creditors will be deemed to have acknowledged that there are currently no plans to make them distributable to the public or offer them to the public in the future;

(d) subsequent to the Company ceasing to be a reporting issuer in accordance with Section 4.2, the Affected Creditors will be deemed to have acknowledged that the Company has advised them that it currently has no intention to again become a reporting issuer in Alberta or any other jurisdiction; and

(e) any transfer of Shares is subject to the restrictions set out in the Articles of Reorganization and imposed by Applicable Laws.

5.4 Distribution Upon the Company Achieving the Taxable Income Threshold

If in a particular fiscal year of the Company, but for the deductibility of:

(a) the non-capital tax losses of the Company; and

(b) any fee, interest or other consideration paid or payable by the Company to the Buyers (including associates, affiliates and employees thereof) that the Auditors have determined is in excess of what would be reasonably payable to an arm's length third party, to the extent of such excess,

the Company would have taxable income as calculated under the ITA in excess of $500,000, based upon its year end audited financial statements, then on the last Business Day of the sixth month following the end of such fiscal year, the Company will pay to the Class B Shareholders an aggregate amount equal to $500,000, which will be allocated among such Class B Shareholders on a pro rata basis, whereby the portion which each Class B Shareholder is entitled to is calculated on the basis of proportion of the Class B Common Shares held by such Class B Shareholder to the aggregate issued and outstanding Class B Common Shares. For greater certainty, the Company will only be liable to make this payment one time.

5.5 **Distribution upon Sale of 80% of Shares**

If not less than 80% of the outstanding Class A Common Shares and Class B Common Shares are sold to, or acquired, directly or indirectly, by way of merger, plan of arrangement, plan of compromise, reorganization or otherwise by, a third party purchaser that is arm's length to the Buyers (a "**Purchaser**"), and the Purchaser is qualified to utilize (currently or in the future) no less than Cdn. $100,000,000 of the Company's non-capital tax losses available immediately prior to such sale or acquisition, then in addition to any consideration received by the Class B Shareholders in such transaction as a result of their holding Class B Common Shares, the Company will pay to the Class B Shareholders, immediately following the completion of such transaction, an aggregate amount equal to $1,000,000, which will be allocated among such Class B Shareholders on a pro rata basis, whereby the portion which each Class B Shareholder is entitled to is calculated on the basis of proportion of the Class B Common Shares held by such Class B Shareholder to the aggregate issued and outstanding Class B Common Shares.

5.6 **Review by Auditors**

In the event of any dispute between the Company and the Class B Shareholders as to whether

(a) any fee, interest or other consideration paid or payable by the Company to the Buyers (including associates, affiliates and employees thereof) is in excess of what would be reasonably payable to an arm's length third party pursuant to Section 5.4(b); or

(b) the Purchaser is qualified to utilize no less than Cdn. $100,000,000 of the Company's non-capital tax losses as contemplated by Section 5.5,

then such dispute (a "**Dispute**") will be determined by the independent auditors of the Company (the "**Auditors**"), with whom the Company and the Class B Shareholders will cooperate fully. The Auditors will be asked to determine and prepare a report thereon and provide a draft of that report to the board of directors of the Company and to the Class B Shareholders within thirty (30) days after their engagement. The draft may omit conclusions but will set out major assumptions, judgments and the framework for calculations. The Auditors will provide their final report within a further period of ten (10) days after providing their draft report. The Class B Shareholders disputing the question will pay the cost of such report, except to the extent that the Auditor does not substantially confirm the position taken by the Company. If the Auditor does not substantially confirm the position taken by the Company, the Auditor will apportion the cost of the report between the Company and such Class B Shareholders according to the relative

degree of success of the Company and the Class B Shareholders. The preparation of the final report will be conducted as an expert determination, solely on the basis of the Auditors' own experience, and will not be an arbitration. The conclusions of the Auditors will be final and binding, and there will be no appeal or review of that determination on any grounds. To the extent that a Class B Shareholder is required by to pay a portion of the costs of such report, the Company may deduct such portion from the amount that such Class B Shareholder is entitled to under the Section to which the Dispute relates.

5.7 **Payment of Legal Costs of Affected Creditors**

On Plan Implementation, the Company shall pay an account rendered by Borden Ladner Gervais LLP to the Affected Creditors in the amount of $22,951.95, which amount shall be paid by wire transfer directly to Borden Ladner Gervais LLP in accordance with wire transfer instructions provided by it.

5.8 **Release of Affected Claims**

The issuance of Class B Common Shares to the Affected Creditors will fully, finally, irrevocably and forever compromise, release, discharge, cancel and bar the Affected Claims of the Affected Creditors in accordance with Section 7.1, except for the purposes of calculating the Pro Rata entitlements of the Affected Creditors to the payments provided for in Sections 5.4 and 5.5. For greater certainty, no interest, fee or other accrual will accrue or accumulate upon any Affected Claim subsequent to the Filing Date.

5.9 **Unaffected Creditors**

No Unaffected Claim will be entitled to receive any distribution under this Plan. For greater certainty, after Plan Implementation, the Unaffected Creditors will be paid in accordance with the following arrangements, which are deemed to be outside of this Plan:

(a) each Unaffected Creditor to whom Trade Liabilities are owed which constitute Proven Claims will be paid those Proven Claims in full either within sixty (60) days of Plan Implementation or in accordance with any agreement in writing entered into between the Company and such Unaffected Creditor after the Filing Date;

(b) Armor will be paid in accordance with the Armor Settlement Agreement;

(c) Chatham will be paid in accordance with the periodic payment schedule set out in the Chatham Mortgage; and

(d) the Debenture Obligations and the Interim Financing Obligations will be set off against the Purchase Price under the ASPA in partial payment thereof on a dollar for dollar basis.

5.10 **Crown Priority Claims**

Within six (6) months after Plan Implementation, the Company will pay in full to Her Majesty in

Right of Canada or any province any amount of a kind that could be subject to a demand under the statutory provision referred to in section 6(3) of the CCAA that was outstanding on the Filing Date which has not been paid by Plan Implementation.

5.11 **Existing Shareholders**

No Existing Shareholder in respect of its Existing Shares will be entitled to receive any consideration or distributions under this Plan. All Claims of Existing Shareholders in respect of or arising from their Existing Shares will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred effective on Plan Implementation in accordance with Section 7.1.

5.12 **Withholding Rights**

The Company will be entitled to deduct or withhold from any amount payable to any Person under this Plan such amounts as it is required to deduct and withhold with respect to such payment under the ITA. To the extent that amounts are so withheld or deducted, such withheld or deducted amounts will be treated for all purposes under this Plan as having been paid to the Person in respect of which such deduction or withholding was made, provided that such amounts are actually remitted to the Governmental Authority to whom the Company is required to remit under the ITA.

ARTICLE 6 MECHANICS OF DISTRIBUTION AND IMPLEMENTATION

6.1 **Issuance of Class A Shares**

The Class A Common Shares will be issued to the Buyers as follows:

(a) Prior to Plan Implementation, each Buyer will provide the Company and the Monitor with a duly signed and completed Letter of Instruction, and the Company will deliver to the Monitor a duly signed and completed Class A Common Share certificate representing 4,500,000 Class A Common Shares in the name of Werklund (the "**Werklund Share Certificate**") and a duly signed and completed Class A Common Share certificate representing 4,500,000 Class A Common Shares in the name of Melbye (the "**Melbye Share Certificate**"); and

(b) On Plan Implementation, the Monitor will deliver to Werklund the Werklund Share Certificate and to Melbye the Melbye Share Certificate, and the Company will note Werklund and Melbye as the owners of their respective Class A Common Shares in the Share Register.

6.2 **Issuance of Class B Shares**

The Class B Common Shares will be issued to the Affected Creditors as follows:

(a) Prior to Plan Implementation, each Affected Creditor will provide the Company and the Monitor with a duly signed and completed Letter of Instruction, and the Company will deliver to the Monitor duly signed and completed Class B

Common Share certificates in the name of each Affected Creditor (an "**Affected Creditor Certificate**"), representing the number of Class B Common Shares that the Monitor advises the Company in writing that such Affected Creditor is entitled to;

(b) On Plan Implementation, the Monitor will deliver to each Affected Creditor the Affected Creditor Certificate to which such Affected Creditor is entitled, and the Company will note such Affected Creditor as the owner of the Class B Common Shares represented by such Affected Creditor Certificate in the Share Register; and

(c) If an Affected Creditor fails to complete, sign and deliver to the Company and the Monitor a Letter of Instruction pursuant to Section 6.2(a), the Company may deliver to the Monitor the Affected Creditor Certificate pertaining to such Affected Creditor's Class B Common Shares completed in accordance with the Company's records and the Monitor's written instructions, and the Monitor may deliver such Affected Creditor Certificate to counsel for the Affected Creditors in full satisfaction of the Company's and the Monitor's obligations under this Section 6.2 in respect of such Class B Common Shares and Affected Creditor Certificate.

6.3 Payments to Class B Shareholders and to Borden Ladner Gervais LLP

All payments by the Company to each Class B Shareholder pursuant to Sections 5.4 and 5.5 and to Borden Ladner Gervais LLP pursuant to Section 5.7 will be by certified cheque or wire transfer addressed in the manner specified in writing by each such Class B Shareholder (in the case of payments under Sections 5.4 and 5.5). If a Class B Shareholder fails to specify the manner in which a payment is to be made, the Company may make the payment by certified cheque or bank draft to the address for such Class B Shareholder in the books and records of the Company. With respect to the payment referred to in Section 5.7, the Affected Creditors will be deemed to have instructed the Company to pay such amount directly to Borden Ladner Gervais LLP, unless all of the Affected Creditors direct the Company in writing otherwise.

6.4 Implementation Steps

(a) Upon the Company completing the deliveries contemplated by Sections 6.1(a) and 6.2(a), and the fulfillment, satisfaction or waiver of the conditions set out in Section 9.1, the following steps and releases to be taken and effected in implementation of this Plan will occur, and be deemed to have occurred and be taken and effected, immediately in sequence in the following order, without any further act or formality, on the Plan Implementation Date beginning at the Effective Time:

(i) the Existing Shares will be deemed to be redeemed, cancelled and extinguished without any consideration in accordance with Section 4.3;

(ii) the Articles of Reorganization will be deemed to be effective, amending and restating the Articles in accordance with Section 4.4;

(iii) the Share Purchase provided for in the ASPA shall be deemed to have been completed and consummated in accordance with the terms thereof;

(iv) the Class A Common Shares will be deemed to have been issued to the Buyers in accordance with Section 6.1(a) and the Class B Common Shares will be deemed to have been issued to the Affected Creditors in accordance with Section 6.2(a);

(v) the releases contained in Section 7.1, the compromise, release, discharge, cancellation and barring of any Claims of Existing Shareholders under Section 5.11, and the compromise, release, discharge, cancellation and barring of the Affected Claims of Affected Creditors in accordance with Section 5.8, will become effective;

(vi) any Encumbrances securing the Affected Claims will be deemed to be released and discharged; and

(vii) the CCAA Charges will be deemed to be released and discharged.

(b) Upon the completion of the sequential steps referred to in Section 6.4(a):

(i) the Monitor will deliver of the Class A Common Shares to the Buyers in accordance with Section 6.1(b);

(ii) the Monitor will deliver the Class B Common Shares to the Affected Creditors in accordance with Section 6.2(b);

(iii) the Company will file with the director under the ABCA the Articles of Reorganization. Upon issuance by the director under the ABCA of a certificate of amendment in respect of the Articles of Reorganization, the Company will forthwith deliver a copy of such certificate to the Monitor.

ARTICLE 7 RELEASES

7.1 Releases

Effective on the Plan Implementation in accordance with Section 6.4(a), the Company, Werklund, Melbye, each and every Director, Officer and Employee of the Company, and each and every present and former director, officer, employee and shareholder of Werklund and Melbye (each, a "**Released Party**") is released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders (including for injunctive relief or specific performance and any compliance orders), expenses, executions, attachments, garnishments, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatsoever nature which any Creditor or other Person may be entitled to assert, including any Claims, and including, in the case of the Directors, Officers and Employees, all Claims in respect of statutory liabilities of Directors, Officers and Employees and any alleged fiduciary or other duty, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or

hereafter arising, in each of the foregoing cases based in whole or in part on any act or omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to Plan Implementation in any way relating to, arising out of or in connection with any Claims, the arrangement, compromise and restructuring contemplated in this Plan, the Business, the administration of this Plan or the CCAA Proceedings, any Claim that has been barred or extinguished by the Claims Procedure, and all Claims arising out of such actions or omissions will be forever waived and released, all to the full extent permitted by Applicable Law, provided that nothing in this Plan shall release or discharge:

(a) the Company from any obligation to an Affected Creditor or Shareholder created by this Plan;

(b) a Released Party from any criminal, fraudulent or other willful misconduct;

(c) a Released Party from any claim with respect to matters set out in Section 5.1(2) of the CCAA; or

(d) the Company from the satisfaction of any Unaffected Claims in the manner and to the extent contemplated in Section 5.9.

ARTICLE 8 COURT SANCTION

8.1 Application for the Sanction Order

If the Required Majority approves this Plan, the Monitor will promptly apply for the Sanction Order.

8.2 Sanction Order

The Order of the Court sanctioning this Plan (the "**Sanction Order**") will be pursuant to the CCAA and ABCA and, among other things:

(a) declare that this Plan is fair and reasonable;

(b) declare that as of the Plan Implementation, this Plan and all associated steps, transactions, arrangements, assignments, releases and reorganizations effected hereby are approved, binding and effective as herein set out upon the Company, all Affected Creditors, the Existing Shareholders and all other Persons and parties affected by this Plan;

(c) declare that the steps to occur, be taken and be effected, and the releases to be effected, on the Plan Implementation are deemed to occur, be taken and effected, and be effective in the sequential order contemplated by Section 6.4(a) on Plan Implementation, beginning at the Effective Time;

(d) effective upon the fulfillment, satisfaction or waiver of the conditions in Section 9.1, and in the sequential order contemplated by Section 6.4:

(i) declare that all Existing Shares are redeemed as of Plan Implementation for no consideration, and that any rights of the Existing Shareholders under, pursuant to or arising from their Existing Shares are extinguished;

(ii) declare that all classes of Existing Shares are cancelled and extinguished;

(iii) declare that the Class A Common Shares are issued to the Buyers and the Class B Common Shares are issued to the Affected Creditors free and clear of any Encumbrances or Claims;

(iv) declare that the releases referred to in Section 7.1 will become effective in accordance with this Plan, discharging and releasing the Released Parties from any and all Affected Claims of any Affected Creditor, and declare that the ability of any Affected Creditor to proceed against the Released Parties in respect of or relating to Affected Claims will be forever barred, extinguished, discharged and restrained, and all proceedings with respect to, in connection with or relating to such Claims are permanently stayed;

(v) declare that the CCAA Charges are terminated and discharged (effective, in the case of the Administration Charge, on the filing by the Monitor of the certificate under Section 8.2(i)); and

(vi) declare that any and all Encumbrances in favour of any Affected Creditor or which any Affected Creditor holds by way of subrogation are terminated and discharged, and authorize any Registrar of any personal property security registry or any real property registry to discharge any such Encumbrance;

(e) declare that all obligations, agreements or leases to which the Company is a party will be and remain in full force and effect, unamended, as at Plan Implementation, and no party to any such obligation or agreement will on or following Plan Implementation accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise (or purport to enforce or exercise) any right or remedy under or in respect of any such obligation, agreement or lease, by reason:

(i) of any event which occurred prior to, and not continuing after, Plan Implementation or which is or continues to be suspended or waived under this Plan, which would have entitled any other party thereto to enforce those rights or remedies;

(ii) that the Company has sought or obtained relief or has taken steps as part of this Plan or under the CCAA or ABCA;

(iii) of any default or event of default arising as a result of the financial condition or insolvency of the Company;

(iv) of the effect upon the Company of the completion of any of the transactions contemplated under this Plan; or

(v) of any restructurings or reorganizations effected pursuant to this Plan;

(f) declare that the stay of proceedings under the Initial Order is extended in respect of the Company, the Directors and the Officers to and including Plan Implementation;

(g) stay the commencing, taking, applying for or issuing or continuing any and all steps or proceedings, including administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against any Released Party in respect of all Claims and any other matter released pursuant to Section 7.1;

(h) authorize the Monitor to perform its functions and fulfil its obligations under this Plan to facilitate the implementation of this Plan;

(i) declare that upon completion by the Monitor of its duties in respect of the Company pursuant to the CCAA and the Orders, the Monitor may file with the Court a certificate of Plan completion stating that all of its duties in respect of the Company pursuant to the CCAA and the Orders have been completed and thereupon, FTI Consulting Canada Inc. will be deemed to be discharged from its duties as Monitor of the Company and the Administration Charge will be terminated and released; and

(j) declare that the Company, the Monitor and the Buyers may apply to the Court for advice and direction in respect of any matter arising from or under this Plan.

ARTICLE 9 CONDITIONS TO PLAN IMPLEMENTATION

9.1 Conditions to Plan Implementation

Plan Implementation will be conditional upon the fulfillment, satisfaction or waiver (in accordance with Section 9.2) of the following conditions:

(a) this Plan will have been approved by the Required Majority of Affected Creditors;

(b) the Court will have granted the Sanction Order, the operation and effect of which will not have been stayed, reversed or amended, and all applicable appeal periods in respect of the Sanction Order will have expired and in the event of an appeal or application for leave to appeal, final determination will have been made by the applicable appellate Court;

(c) the fulfillment, satisfaction or waiver of the conditions set out in Sections 8.1, 8.3 and 8.4 of the ASPA;

(d) the making of the payments and the completion of the deliveries contemplated by

sections 9.2.3 and 9.2.4 of the ASPA; and

(e) the aggregate amount of Proven Claims that are Affected Claims not exceed $7,332,000.

9.2 **Waiver**

(a) The Buyers may at any time waive the fulfillment or satisfaction, in whole or in part, of the condition set out in Section 9.19.1(b) that all applicable appeal periods in respect of the Sanction Order will have expired.

(b) The fulfillment or satisfaction of the condition set out in Section 9.1(e) may only be waived in writing, in whole or in part, by all of the Affected Creditors and Buyers, on such terms as they deem appropriate.

(c) The conditions referred to in Section 9.1(c) may be waived in the manner provided for in the ASPA.

9.3 **Monitor's Certificate of Plan Implementation**

Upon the delivery of written notice from the Company and the Buyers of the satisfaction, fulfillment or waiver of the conditions set out in Section 9.1, and the completion of the steps, deliveries and filings set out in Section 6.4, the Monitor will deliver to the Company and the Buyers a certificate stating that the Plan Implementation has occurred and that this Plan and the Sanction Order are effective in accordance with their respective terms (the "**Monitor's Certificate**"). Following the Plan Implementation Date, the Monitor will file such certificate with the Court and deliver copies thereof to the Affected Creditors.

ARTICLE 10 GENERAL

10.1 **Binding Effect**

At the Effective Time:

(a) this Plan will become effective;

(b) the treatment of Affected Creditors and Existing Shareholders under this Plan will be final and binding for all purposes and enure to the benefit of the Company, all Affected Creditors, all Released Parties and all other Persons and Parties named or referred to in, or subject to, this Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns;

(c) each Affected Creditor will be deemed to have consented and agreed to all of the provisions of this Plan in its entirety; and

(d) each Affected Creditor will be deemed to have executed and delivered to the Company all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan in its entirety.

10.2 **Waiver of Defaults**

From and after the Plan Implementation Date, all Persons will be deemed to have waived any and all defaults or events of default of the Company then existing or previously committed by the Company, or caused by the Company, any of the provisions in this Plan or steps contemplated in this Plan, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, lease, guarantee, agreement for sale or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Company and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any such agreement will be deemed to have been rescinded and of no further force or effect, provided that nothing will be deemed to excuse the Company from performing its obligations under this Plan or be a waiver of defaults by the Company under this Plan and the related documents. This section does not affect the rights of any Person to pursue any recoveries for a Claim that may be obtained from a guarantor (other than the Company) and any security granted by such guarantor.

10.3 **Deeming Provisions**

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

10.4 **Non-Consummation**

If Plan Implementation does not occur by September 30, 2013, or such later period as agreed to in writing by the Buyers and the Monitor, (a) this Plan will be null and void in all respects, and (b) nothing contained in this Plan, and no acts taken in preparation for consummation of this Plan, will (i) constitute or be deemed to constitute a waiver or release of any Claims by or against the Company or any other Person; (ii) prejudice in any manner the rights of the Company or any other Person in any further proceedings involving the Company; or (iii) constitute an admission of any sort by the Company or any other Person.

10.5 **Modification of Plan**

(a) The Buyers may at any time and from time to time, amend, restate, modify and/or supplement this Plan, with the prior consent of the Monitor and, if the amendment, restatement, modification or supplement is adverse to the financial or economic interests of the Affected Creditors, with the prior consent of the Required Majority of the Affected Creditors, provided that any such amendment, restatement, modification or supplement must be contained in a written document which is filed with the Court and (i) if made prior to the Creditors' Meeting, communicated to the Affected Creditors in the manner required by the Court (if so required); and (ii) if made following the Creditors' Meeting, approved by the Court on notice to the Affected Creditors.

(b) Notwithstanding Section 10.5(a), any amendment, restatement, modification or supplement may be made by the Buyers and Company with the prior consent of the Monitor, and pursuant to an Order following the making of the Sanction Order, provided that it concerns a matter which, in the opinion of the Company,

the Buyers and the Monitor is of an administrative nature required to better give effect to Plan Implementation and the Sanction Order or to cure any errors, omissions or ambiguities and is not adverse to the financial or economic interests of the Affected Creditors.

(c) Any amended, restated, modified or supplementary plan or plans of arrangement and reorganization filed with the Court and, if required by this Section, approved by the Court with the prior consent of the Buyers, the Monitor (and, if necessary in accordance with this Section, the Affected Creditors) will, for all purposes, be and be deemed to be a part of and incorporated into this Plan.

10.6 **Severability of Plan Provisions**

If, prior to the Plan Implementation Date, any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, at the request of the Company and subject to the prior consent of the Buyers, acting reasonably, the Court will have the power to either (a) sever such term or provision from the balance of this Plan and provide the Company, the Buyers and the Required Majority of the Affected Creditors (to the extent such severance may adversely affect the Affected Creditors) with the option to proceed with the implementation of the balance of this Plan as of and with effect from the Plan Implementation Date, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted, provided that the Buyers and the Required Majority of Affected Creditors (to the extent such alteration or interpretation may adversely affect the Affected Creditors) have approved such alteration or interpretation, acting reasonably. Notwithstanding any such holding, alternation or interpretation, and provided that the Company proceeds with the implementation of this Plan, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

10.7 **Responsibilities of the Monitor**

The Monitor is acting in its capacity as Monitor in the CCAA Proceedings and this Plan with respect to the Company and will not be responsible or liable for any Claims against or Obligations of the Company.

10.8 **Notices**

Any notice of other communication to be delivered hereunder must be in writing and refer to this Plan and may, subject as hereinafter provided, be made or given by personal delivery, ordinary mail, email or by facsimile addressed to the recipient as follows:

(a) If to the Company:

RS Technologies Inc.
233 Mayland Place NE
Calgary, Alberta T2E 7Z8

Attention: Howard Elliott, President and Chief Executive Officer
Tel. No.: (734) 508-6483
Facsimile No.: (519) 682-3786
E-mail: HRE@rspoles.com

with a copies to:

Blake Cassels & Graydon LLP
855 - 2nd Street S.W.
Suite 3500, Bankers Hall East Tower
Calgary AB T2P 4J8

Attention: Kelly J. Bourassa and Ryan Zahara
Tel. No.: (403) 260-9697/(403) 260-9628
Facsimile No.: (403) 260-9700
E-mail: kelly.bourassa@blakes.com / ryan.zahara@blakes.com

F T I Consulting Canada Inc.
1000, 888-3rd Street SW
Bankers Hall, West Tower
Calgary, AB T2P 5C5

Attention: Deryck Helkaa, Senior Managing Director
Tel. No.: (403) 444-5372
Facsimile No.: (403) 444-6699
E-mail: deryck.helkaa@fticonsulting.com

McCarthy Tétrault LLP
3300, 421-7th Avenue S.W.
Calgary, AB T2P 4K9

Attention: Sean Collins
Tel. No.: (403) 260-3531
Facsimile No.: (403) 260-3501
E-mail: scollins@MCCARTHY.CA

(b) If to the Monitor:

F T I Consulting Canada Inc.
1000, 888-3rd Street SW
Bankers Hall, West Tower
Calgary, AB T2P 5C5

Attention: Deryck Helkaa, Senior Managing Director
Tel. No.: (403) 444-5372
Facsimile No.: (403) 444-6699
E-mail: deryck.helkaa@fticonsulting.com

with a copy to:

McCarthy Tétrault LLP
3300, 421-7th Avenue S.W.
Calgary, AB T2P 4K9

Attention: Sean Collins
Tel. No.: (403) 260-3531
Facsimile No.: (403) 260-3501
E-mail: scollins@MCCARTHY.CA

(c) If to the Buyers:

Werklund Capital Corporation
4500 Devon Tower
400 - 3rd Avenue SW
Calgary AB T2P 4H2

Attention: Stefan Erasmus, President
Tel. No.: (403) 231-2086
Facsimile No.: (403) 231-6549
E-mail: stefan.erasmus@werklund.com

Melbye Skandinavia AS
Prost Stabelsvei 22
2021 Skedsmokorset
Norway

Attention: Christian Aasheim, President
Tel. No.: 011-47-63-87-0150
Facsimile No.: 011-47-63-87-0151
E-mail: cha@melbye.no

with a copy to:

Gowling Lafleur Henderson LLP
1400, 700 - 2 Street SW
Calgary, Alberta T2P 4V5

Attention: Tom Cumming and Jeffrey Oliver
Tel. No.: (403) 298-1938 / (403) 298-1818
Facsimile No.: (403) 695-3538
E-mail: tom.cumming@gowlings.com / jeffrey.oliver@gowlings.com

(d) If to the Affected Creditors:

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Avenue S.W.
Calgary Alberta T2P 0R3

Attention: Bruce Lawrence and Josef Kruger
Tel. No.: (403) 232-9597 / (403) 232-9563
Facsimile No.: (403) 266-1395 / (403) 266-1395
Email: blawrence@blg.com / jkruger@blgcanada.com

or to such other address as any such party may from time to time notify the others in accordance with this Section. Any such communication so given or made will be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing, email or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed, emailed or sent before 5:00 p.m. on such day. Otherwise, such communication will be deemed to have been given and made and to have been received on the next following Business Day.

10.9 **Paramountcy**

From and after the Effective Time on the Plan Implementation Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, mortgage, security agreement, indenture, note, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto existing between any Person and the Company as at the Plan Implementation Date, will be deemed to be governed by the terms, conditions and provisions of this Plan and the Sanction Order, which will take precedence and priority.

10.10 **Further Assurances**

Each of the Persons named or referred to in, or subject to, this Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Plan and to give effect to the transactions contemplated herein.

DATED as of the 22nd day of August, 2013.

SCHEDULE "A"
AFFECTED CREDITORS

Affected Creditors	Secured Debt	Promissory Note	DSUP	Total Proven Claims
	a	b	c	
Dwayne Hunka	1,089,486.05	-	11,980.68	1,101,466.73
Paul Giannelia	1,676,770.35	54,940.41	17,872.61	1,749,583.37
Marjad Inc.	1,676,129.68	-	-	1,676,129.68
David Williams	311,212.88	-	12,907.91	324,120.79
Brian Felesky	1,089,963.64	54,940.41	31,629.89	1,176,533.94
James Gray	1,173,294.30	54,940.41	31,646.65	1,259,881.36
Held in Trust by James Gray	28,787.12	-	-	28,787.12
Wilmot Matthews	-	-	15,124.25	15,124.25
Total	7,045,644.02	164,821.24	121,161.99	7,331,627.25

a) Secured Debt- per the proof of claim filed by the Guarantors plus the portion of the assigned CWB debt

b) Promissory Note- $50,000 promissory note plus accrued interest as at March 14, 2013

c) DSUP- Value of DSUP Claims submitted in the Monitor's Claims Notice

SCHEDULE "B"
SHARE PROVISIONS OF ARTICLES OF REORGANIZATION

See the attached.

SCHEDULE "C"
PROVEN CLAIMS OF CREDITORS
OWED TRADE LIABILITIES

Raw Material Suppliers		
Bayer Material Science		221,113.46
Chongqing Polycomp International Corp		223,963.45
Jushi Canada Fiberg		89,947.48
Stepan Company		1,062.78
Total Raw Material Suppliers	**$**	**536,087.17**
Other Suppliers		
ABSA		103.00
AB Carter		1,188.18
Alberta Bolt Makers Ltd.		6,237.00
Alberta Innovates Technology		1,617.00
ATS International		6,434.19
Aveda Transportation and Energy Services		3,675.00
B&B Storage and Warehousing		1,627.20
Barry and Sons Tree Service		2,320.00
Baycomp		8,205.70
Beck Designs		393.75
Bell Canada(acct#511782733)		258.66
Bell Canada(acct#606 4552)		1,243.00
Bell Canada(acct#6821110 371)		1,231.96
Bell Mobility(acct#514739689)		5,171.60
Belzona Great Lakes Ltd		1,196.34
Bolair Fluid Handling Systems		636.85
Broadridge		11.18
Broadridge ICS		3,478.02
C.H. Robinson Company (Canada) Ltd.		515.00
Cal-Chek Canada		1,582.00
Canada Wide Packaging		1,748.36
Canadian Linen & Uniform Service		942.43
Canadian Revenue Agency (GST)		0.00
CanaGlobe Compliance Solutions		945.01
Cancard Inc.		706.25
Cap Plugs		1,325.23
Carmichael Engineering		4,776.98
CNW Group		485.10
COGZ Systems		1,727.02

Computershare	7,474.95
Comtech Communication Technologies	31,270.68
Corporate Express	325.00
Crimson Computer Products	799.31
Culligan Water	101.58
Dependable Building Maintenance	1,050.00
Electra Supply Inc.	201.02
Eljay Shipping Inc.	11,254.78
Federal Express Canada Ltd.	2,930.30
Fedex Trade Networks	228.42
Global Crossing Conferencing	1,464.01
Gowling Lafleur Henderson LLP	3,553.53
Great West Life Insurance Company	17,969.03
HD Supply Utilities Ltd.	17,538.42
HD Supply Utilities Ltd.	44,700.47
Healthy Workplace Consulting	1,395.55
Heritage Interactive Services LLC	9,687.01
Industrial Metal Fabricators	429.40
International Financial Group	5,839.58
Intertek Testing	5,675.40
Iron Mountain	762.07
JH Ryder Machinery Ltd.	3,403.44
Kingsway Transport	796.03
KPMG	0.00
Linde Canada Limited	4,242.99
Lunar Industrial Supply	36.16
Made to Order Machining	7,830.90
Maltacourt Canada Ltd.	24,375.00
Maltacourt(canada)	2,329.79
McMaster-Carr Supply Company	713.96
Monelco	424.86
Municipality of Chatham-Kent	15,276.42
Newark	240.88
NForce Crane & Equipment	4,725.00
Officestuff Inc.	97.35
Perry Graphics	105.09
Pitney Bowes	123.40
Praxair Distribution	77.85
Proax Technologies	333.42
Purolator Inc.	143.64
Q-Lab Corporation	1,524.28
Qualicase Ltd.	6,615.00
Rose Printing	3,357.57

Roynat Lease Finance		24.88
Ryan's Coffee Services Ltd.		11.50
Schenker Of Canada Ltd.		13,796.33
Sheraton Centre Toronto Hotel		5,384.60
SSI Custom Plastics		3,031.17
Steel City Bolt and Screw		989.87
Steve Moreau Janitorial Inc.		2,262.26
Steve's Pest Management		215.82
Swain Bros		1,531.15
Telus Communications		1,084.46
Telus Communications		5,180.04
Telus Services Inc.		1,386.96
The Great West Life Assurance Co.		2,315.35
The PC Medic		3,590.29
Tiltran Ascent Solutions Inc.		918.13
Tinoco Soares & Filho Itda		1,035.07
Traffic Tech		46,076.50
TRC Engineers LLC		3,545.49
Triway Services		189.00
TSX Venture Exchange		1,312.50
Uline		1,292.00
Urban Impact		199.22
Victor Machine		31,710.63
Windsor Factory Supply		33,688.49
Workplace Saftey & Insurance Board		0.00
Windsor Pallet		16,610.32
Xerox Canada		766.81
Total Other Suppliers	$	**479,354.39**

Other Unaffected Creditors

Armor

SHARE PROVISIONS SCHEDULE
TO THIS PLAN

The classes and any maximum number of shares that the Corporation is authorized to issue:

an unlimited number of Class A Common Shares;
an unlimited number of Class B Common Shares;

all without nominal or par value and subject to the rights, privileges, restrictions and conditions as set out below.

1. CLASS A COMMON SHARES

The Class A Common Shares shall confer on the holders thereof and shall be subject to the following rights, restrictions, privileges and conditions:

(a) Voting:

The holders of the Class A Common Shares shall be entitled to one (1) vote in respect of each such Class A Common Share held at all meetings of the shareholders of the Corporation.

(b) Dividends and Distributions:

The Class A Common Shares and Class B Common Shares shall rank equally with respect to the declaration and payment of all dividends and distributions of any kind (including any returns of capital). The Class A Common Shares and Class B Common Shares shall, in each year, in the absolute discretion of the directors, be entitled, out of any or all profits or surplus available for dividends, to non-cumulative dividends at a rate to be determined by the directors.

(c) Liquidation:

In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs or upon a reduction of capital, the holders of the Class A Common Shares and the Class B Common Shares will be entitled to participate equally, share for share, in the distribution of the assets of the Corporation.

2. CLASS B COMMON SHARES

The Class B Common Shares shall confer on the holders thereof and shall be subject to the following rights, restrictions, privileges and conditions:

(a) Voting:

The holders of the Class B Common Shares shall not, except as otherwise required by law, be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation, and shall not be entitled to vote at any such meeting.

(b) Dividends and Distributions:

The Class A Common Shares and Class B Common Shares shall rank equally with respect to the declaration and payment of all dividends and distributions of any kind (including any returns of capital). The Class A Common Shares and Class B Common Shares shall, in each year, in the absolute discretion of the directors, be entitled, out of any or all profits or surplus available for dividends, to non-cumulative dividends at a rate to be determined by the directors.

(c) Liquidation:

In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs or upon a reduction of capital, the holders of the Class A Common Shares and the Class B Common Shares will be entitled to participate equally, share for share, in the distribution of the assets of the Corporation.

(d) Redemption by the Corporation:

(i) Subject to the provisions of the *Business Corporations Act* (Alberta) as now enacted or as may from time to time be amended, re-enacted or replaced (in which case any such reference shall be read as referring to the amended, re-enacted or replaced provisions) (the "**ABCA**"), at any time on or after the occurrence of both of the following events:

(A) the fifth anniversary of the date of issuance of the Class B Common Shares; and

(B) the Fair Value (as defined below) of all outstanding Class A Common Shares and Class B Common Shares of the Corporation reaching the equivalent of $70,000,000,

and provided the Corporation is not in default of any obligation to the holders of the Class B Common Shares (which default has not been waived by the holders of a majority of the outstanding Class B Common Shares), the Corporation may redeem any or all of the then outstanding Class B Common Shares, upon paying the Fair Value for each Class B Common Share to be redeemed (the "**Class B Common Share Redemption Price**"), together with all dividends and distributions declared and remaining unpaid on such Class B Common Share up to and including the Redemption Date (as defined herein). If only some of the then outstanding Class B Common Shares are to be redeemed at any time, then such Class B Common Shares shall be redeemed pro rata disregarding fractions and the directors of the Corporation may make such adjustments as may be necessary to avoid the redemption of fractional parts of shares, provided that, with the consent of two-thirds of the then outstanding Class B Common Shares represented in person or by proxy at a meeting or the consent of two-thirds of such holders in writing, the Class B Common Shares to be redeemed may be selected in any other manner including, without limitation, the selection of all or any part of the Class B Common Shares of any particular holder or holders thereof.

(ii) To redeem Class B Common Shares under the provisions of the foregoing paragraph, the Corporation shall notify each registered holder of Class B Common Shares to be

redeemed in writing not less than twenty-one (21) days in advance of the proposed date of redemption (the "**Redemption Date**") confirming the Corporation's intention to redeem such Class B Common Shares. On the Redemption Date, the Corporation shall pay to or to the order of the registered holder of the Class B Common Shares to be redeemed, for each Class B Common Share to be redeemed, the Class B Common Share Redemption Price together with all dividends and distributions declared and remaining unpaid on such Class B Common Share (collectively, the "**Redemption Amount**") provided that, if certificates have been issued for any such Class B Common Shares, the holder presents and surrenders to the Corporation the certificate or certificates representing the Class B Common Shares to be redeemed. If any holder has not surrendered the certificate for a Class B Common Share to be redeemed, the Corporation may pay the Redemption Amount to an account in any chartered bank in Canada (and the Corporation shall notify such holder accordingly) to be paid without interest to or to the order of the holder of such Class B Common Share called for redemption when the holder presents and surrenders the certificate representing the holder's shares to such bank, and upon depositing such Redemption Amount or upon the Redemption Date, whichever is later, the Class B Common Shares in respect of which such Redemption Amount has been paid shall be redeemed and the rights of the holders thereof shall thereafter be limited to receiving without interest their proportionate part of the Redemption Amount so deposited upon presenting and surrendering the certificates representing their respective shares.

(iii) In the event that the Corporation fails (for any reason) to make unconditionally available the Redemption Amount in full (except for failure of a holder of the Class B Common Shares to surrender its certificate(s) therefor as required hereunder), the subject Class B Common Shares shall remain issued and outstanding and the holder thereof shall continue to be entitled to receive all dividends and distributions declared on the Class B Common Shares until such failure has been rectified in full, and the "Redemption Amount" shall be deemed to be amended to include such additional dividends and distributions.

(e) Redemption by the Class B Shareholder:

(i) Subject to the provisions of the ABCA, upon written notice to the Corporation each Class B Shareholder shall have the right at any time on or after the occurrence of both of the following events:

(A) the fifth anniversary of the date of issuance of the Class B Common Shares; and

(B) the Fair Value of all outstanding Class A Common Shares and Class B Common Shares of the Corporation reaching the equivalent of $70,000,000,

to require the Corporation to redeem all, but not less than all, of the Class B Common Shares held by such Class B Shareholder, upon paying, for each such Class B Common Share, an amount equal to the Class B Common Share Redemption Price set forth in Section 2(d).

(ii) To require the Corporation to redeem Class B Common Shares under the provisions of the foregoing sub-paragraph, the Class B Shareholder shall deliver a notice of repurchase to the Corporation (the "**Repurchase Notice**") confirming the Class B Shareholder's intention to require the Corporation to redeem all of such Class B Shareholder's Class B Common Shares. From and after the Repurchase Payment Date (as hereinafter defined), the Class B Common Shares to be redeemed shall cease to be entitled to dividends and distributions, and the holders thereof shall not be entitled to exercise any of their rights as shareholders in respect thereof, except to receive the Class B Common Share Redemption Price. On the date (the "**Repurchase Payment Date**") that is not later than twenty-one (21) days following the later of the receipt of the Repurchase Notice or the determination of Fair Value in accordance with Section 3(b) hereof, the Corporation shall pay to or to the order of the registered holder of the Class B Common Shares to be redeemed, for each Class B Common Share to be redeemed, the Class B Common Share Redemption Price together with all dividends and distributions declared and remaining unpaid on such Class B Common Share up to and including the Repurchase Payment Date (collectively, the "**Repurchase Amount**"), provided that, if a certificate or certificates have been issued for such Class B Common Shares, then the holder shall present and surrender to the Corporation the certificate or certificates representing the Class B Common Shares issued in their name. In that event, if any holder has not surrendered the certificate for a Class B Common Share to be redeemed, then the Corporation may pay the Repurchase Amount to an account in any chartered bank in Canada (and the Corporation shall notify such holder accordingly) to be paid without interest to or to the order of the holder of such Class B Common Share called for redemption when the holder presents and surrenders the certificate representing the holder's shares to such bank, and upon depositing such Repurchase Amount or upon the Repurchase Payment Date, whichever is later, the Class B Common Shares in respect of which such Repurchase Amount has been paid shall be deemed to have been redeemed and the rights of the holders thereof shall thereafter be limited to receiving without interest their proportionate part of the Repurchase Amount so deposited upon presenting and surrendering the certificates representing their respective shares.

(iii) In the event that the Corporation fails (for any reason) to make unconditionally available the Repurchase Amount in full (except for failure of a holder of the Class B Common Shares to surrender its certificate(s) therefor as required hereunder), the subject Class B Common Shares shall remain issued and outstanding and the holder thereof shall continue to be entitled to receive all dividends and distributions declared on the Class B Common Shares until such failure has been rectified in full, and the "Repurchase Amount" shall be deemed to be amended to include such additional dividends and distributions.

(f) Contravention of ABCA:

In the event that any redemption of Class B Common Shares specified for redemption cannot be completed without the Corporation contravening some provision of the ABCA, then:

(i) the Corporation shall nonetheless redeem, in the aggregate, such number of Class B Common Shares as can be redeemed without causing such contravention;

(ii) such redemption shall comprise a like fraction of the total number of Class B Common Shares specified for redemption;

(iii) such redemption shall not include a fraction of a Class B Common Share, any such fraction to be rounded down to the next whole number; and

(iv) the balance of the Class B Common Shares which have been specified for redemption shall be redeemed by the Corporation so soon thereafter as the Corporation is capable of doing so without causing a contravention of such legislation.

(g) Approval by Special Majority:

In addition to any other consent required by law, consent of the holders of not less than two thirds of all of the then outstanding Class B Common Shares will be required for the Corporation to:

(i) to make any material amendments to any provision of its articles or bylaws where such amendment materially and adversely affects the rights and privileges of the holders of Class B Common Shares;

(ii) alter or change the rights, preferences or privileges of the Class B Common Shares; or

(iii) issue any Class B Common Shares after the first issuance of Class B Common Shares.

(h) Additional Rights:

For so long as any Class B Common Shares remain outstanding, the Corporation shall provide to the holders thereof annual audited financial statements within ninety (90) days of the end of each fiscal year.

3. DETERMINATION OF FAIR VALUE

(a) Calculation of Fair Value

The fair value (the "**Fair Value**") of Class A Common Shares and Class B Common Shares will be calculated as at the time immediately before the occurrence of the event that gave rise to the requirement to make the calculation, and will be:

(i) calculated on an *en bloc* basis, attributing neither a premium to, nor a discount from, the value of the Class A Common Shares and Class B Common Shares;

(ii) the highest price, expressed in money, available in an open and unrestricted market between informed and willing parties acting at arm's length (as defined in the *Income Tax Act* (Canada)) and under no compulsion to act; and

(iii) determined on a going concern basis, unless inappropriate in light of circumstances.

(b) Process

Where the Fair Value of Class A Common Shares and Class B Common Shares is to be determined the process will be as follows:

(i) the valuator will be the auditors of the Corporation (the "**Auditors**"), with whom the Corporation and the holders of Class A Common Shares and Class B Common Shares will cooperate fully;

(ii) the Auditors will be asked to determine and prepare a valuation report on the Fair Value of the Class A Common Shares and Class B Common Shares and provide a draft of that report to the board of directors of the Corporation and the holders of Class B Common Shares within thirty (30) days after their engagement. The draft may omit value conclusions but will set out major assumptions, judgments and the framework for valuation calculations;

(iii) in making the determination of the Fair Value, the Auditors will apply the valuation principles set out in Section 3(a) hereof; and

(iv) the Auditors will provide their final valuation report to the board of directors and to the holders of the Class B Common Shares within a further period of ten (10) days after providing their draft report. If the Fair Value is expressed by the Auditors as a range, the mid-point of the range will be used for the purposes of determining the Fair Value.

(c) Costs

The Corporation will pay the cost of the determination of Fair Value in accordance with this Section 3 once per calendar year after the fifth anniversary of the date of issuance of the Class B Common Shares. The holder of Class B Common Shares requesting any additional valuations will pay the cost of such additional determination of Fair Value.

(d) Additional Valuations

In the event a holder of Class B Common Shares requests an additional valuation in any calendar year, such latter valuation shall govern provided that the Corporation shall not be bound to abide by any more than one additional valuation in any calendar year requested by the holders of Class B Common Shares

(e) Expert Determination

The preparation of the final valuation report will be conducted as an expert determination, solely on the basis of the Auditors' own experience, and will not be an arbitration. The amount of the Fair Value determined by the Auditors will be final and binding, and there will be no appeal or review of that determination on any grounds.

4. DRAG-ALONG RIGHTS

(a) Drag-Along Offer:

If, at any time:

(i) the holders of not less than sixty-six and two-thirds percent (66⅔%) of the outstanding Class A Common Shares have agreed to assign, sell or transfer all, but not less than all, of their Class A Common Shares to a third party (a "**Third Party**") in one transaction or in a series of transactions; and

(ii) the Third Party offers to the holders of Class B Common Shares to purchase all, but not less than all, of the Class B Common Shares on the same terms and conditions as those agreed to by the holder of Class A Common Shares (the "**Drag-Along Offer**"),

then provided the Corporation is not in default of any obligation to the holders of Class B Common Shares (which default has not been waived by the holders of the majority of the outstanding Class B Common Shares), the holders of the Class B Common Shares will be required to sell their Class B Common Shares to the Third Party, all in accordance with the terms and conditions of the Drag-Along Offer.

(b) Failure to Comply:

If a holder of Class B Common Shares fails to sell its Class B Common Shares to the Third Party in accordance with the terms and conditions of the Drag-Along Offer, the Third Party will have the right to deposit the applicable purchase price for those Class B Common Shares in an account in any chartered bank in Canada to be paid without interest to holder of such Class B Common Shares upon presentation and surrender to such bank of the certificates representing such Class B Common Shares duly endorsed for transfer to the Third Party. Upon that deposit of the applicable purchase price being made, the Class B Common Shares in respect of which the deposit was made will automatically (without any further action of any kind on the part of the holder of Class B Common Shares or the Third Party) be deemed to be transferred to and purchased by the Third Party and will be transferred on the books of the Corporation, and the rights of the holder of such Class B Common Shares in respect of those Class B Common Shares after that deposit will be limited to receiving, without interest, the amount so deposited against presentation and surrender of the certificates or documents representing its Class B Common Shares, duly endorsed for transfer to the Third Party purchaser.

(c) Failure to Complete:

In the event the sale to the Third Party is not completed in accordance with the terms and conditions provided for in this section within ninety (90) days of delivery of the Drag Along Offer to the holders of the Class B Common Shares, then the transfer of the Class A Common Shares from the Sellers to the Third Party shall not be completed and the holders of Class B Common Shares shall be relieved of all obligations to sell their Class B Common Shares hereunder.

5. TAG-ALONG RIGHTS

If the holders of not less than sixty-six and two-thirds percent (66⅔%) of the outstanding Class A Common Shares (the "**Selling Shareholders**") wish to assign, sell or transfer (directly or indirectly) all of their Class A Common Shares to a third party who is at arm's length (as that term is defined in the *Income Tax Act* (Canada), as amended or replaced from time to time) with each Selling Shareholder, then any of the holders of Class B Common Shares will have the right (the "**Co-Sale Right**") to participate in that transfer on the following terms and conditions:

(a) Co-Sale Notice:

The Selling Shareholders will immediately notify the holders of Class B Common Shares in writing (the "**Co-Sale Notice**") specifying:

(i) the name and address of the Third Party;

(ii) the terms and conditions of the proposed transfer including the purchase price that the Selling Shareholders are to obtain from the Third Party for the Class A Common Shares and, if applicable, Class B Common Shares to be purchased, and any other information that would reasonably be relevant to the holders of Class B Common Shares;

(iii) any other terms and conditions of the intended sale; and

(iv) that the holder of Class B Common Shares has the Co-Sale Right provided under this section in respect of the proposed transfer.

(b) Shares Which Can Be Sold:

A holder of Class B Common Shares will be entitled to sell to the Third Party, in conjunction with the closing of the Third Party's purchase of Class A Common Shares from the Selling Shareholders, all or any part of its Class B Common Shares, as such holder may determine.

(c) Exercise Notice:

Each holder of Class B Common Shares will have fifteen (15) business days after the receipt of the Co-Sale Notice to exercise its Co-Sale Right by written notice to the Selling Shareholders specifying the number of Class B Common Shares that the holder of Class B Common Shares elects to sell to the Third Party.

(d) Co-Sale to Third Party:

If a holder of Class B Common Shares exercises its Co-Sale Right, the Selling Shareholders may not complete the transfer of its Class A Common Shares to the Third Party unless the Third Party also purchases from such holder of Class B Common Shares all of the Class B Common Shares (collectively, the "**Co-Sale Shares**") in respect of which the Co-Sale Right was exercised at the same time and on the same terms and conditions.

(e) Pricing of Shares:

The price that the Third Party must pay to each holder of Class B Common Shares for its Co-Sale Shares will be the price payable per Class A Common Share as specified in the Co-Sale Notice.

(f) Failure to Complete:

If the Third Party does not purchase the Co-Sale Shares from each holder of Class B Common Shares on the terms and conditions provided for in this section, then the transfer of Class A Common Shares from the Selling Shareholder to the Third Party will not be completed. If either of the Selling Shareholders completes the transfer of all or part of its Class A Common Shares to the Third Party in violation of this section, then each holder of Class B Common Shares will have, in addition to any other rights or remedies it may have in law or at equity, the right, by notice in writing, to put its Co-Sale Shares to such Selling Shareholder at the prices determined under this section, and the Selling Shareholders shall be deemed to be holding the proceeds of the sale of their Class A Common Shares to the Third Party in trust for the holders of Class B Common Shares who put their Co Sale Shares to the Selling Shareholders hereunder.

6. RIGHT OF PARTICIPATION

(a) Right of Participation:

Each holder of Class A Common Shares and each holder of Class B Common Shares (each such holder being a "**Holder**" and all of such holders being collectively the "**Holders**", and such shares held by a Holder being the "**Shares**") shall be entitled to participate in any proposed issuance of securities by the Corporation from treasury, which participation right shall be offered pro-rata to each Holder (based upon the proportion of such Holder's Shares to the Shares of all Holders) in accordance with the number of Class A Common Shares and/or Class B Common Shares held by such Holder, regardless of the classes of securities. The Corporation shall offer the securities (the "**Offered Securities**") as provided for herein by notice in writing to each Holder, which notice shall include: the terms of the offer; the time, which shall not be less than fifteen (15) business days, for acceptance; and current financial information on the Corporation. The right of participation set forth in this Section 6 shall not apply to the granting of options and/or the issuance of securities pursuant to any permitted stock option or share purchase plan.

(b) Expiration of Time:

After expiration of the acceptance period detailed in Section 6(a) hereof, the Corporation may, for a period of ninety (90) days thereafter allot and issue such Offered Securities which are not purchased by a Holder pursuant to Section 6(a) hereof to the persons and in the manner determined to be most beneficial to the Corporation, but any such allotment and issuance shall not be at a price less than, or on terms more favourable than the offer to the Holders. In the event the Corporation has not sold the Offered Securities within such ninety (90) day period, the Corporation shall not thereafter issue or sell the Offered Securities without first again complying with the provisions of Section 6(a) hereof.

(c) Payment for Offered Shares:

The payment for Offered Securities by a Holder shall be by certified cheque, bank draft or wire transfer against delivery of the certificate representing the Offered Securities at the head office of the Corporation.

7. RESTRICTIONS ON TRANSFER

No securities of the Corporation, other than non-convertible debt securities, shall be transferred to any person without the approval of the Board of Directors.

APPENDIX B

AMENDING AGREEMENT

AMENDMENT TO

ASSET AND SHARE PURCHASE AGREEMENT

THIS AGREEMENT is dated as of August , 2013

B E T W E E N :

RS TECHNOLOGIES INC., a corporation incorporated under the laws of Alberta (the "**Seller**"), by **FTI CONSULTING CANADA INC**. in its capacity as monitor of RS Technologies Inc. in its CCAA Proceedings, and not in its personal capacity

- and -

WERKLUND CAPITAL CORPORATION, a corporation incorporated under the laws of Alberta, and **MELBYE SKANDINAVIA SA**, a corporation incorporated under the laws of Norway

(together with their respective permitted assigns, each individually referred to as a "**Buyer**" and collectively as the "**Buyers**")

- and -

FTI CONSULTING CANADA INC., in its capacity as Monitor of the Seller

CONTEXT:

A. Pursuant to an asset and share purchase agreement dated as of April 11, 2013 (the "**Purchase Agreement**") between the Seller, the Buyers and the Monitor, the Seller agreed to sell to the Buyers either (1) the Purchased Assets or (the "Purchases Shares").

B. The Buyers and the Seller are attempting to implement a Share Purchase and with the assistance of the Monitor have negotiated with the Affected Creditors the draft form of the Buyers CCAA Plan.

C. Pursuant to an Order of the Honourable Justice A.D. Macleod pronounced on August 23, 2013 (the "**Meeting Order**"), the Court approved the Transactions occurring pursuant to the Purchase Agreement applicable to the Share Purchase and authorized and directed the Buyers and the Monitor to proceed with the Purchase Agreement and complete the Transactions contemplated thereby. Pursuant to the Meeting Order, the Seller, the Buyers and the Monitor are and remain authorized and empowered to agree to non-material amendments to the Purchase Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Unless otherwise defined in this amending agreement (the "**Amending Agreement**"), capitalized terms have the meanings given to them in the Purchase Agreement.

2. Section 1.3 of the Purchase Agreement is amended to replace:

   "7.3.2 Summary of Buyers' CCAA Plan"

   with the following:

   "7.3.2 Buyers' CCAA Plan"

3. Section 3.2.2.2 of the Purchase Agreement is amended to delete "Trade Liabilities," from the second line thereof. Section 3.2.2 is further amended to add to the end:

   "The Seller will pay the Trade Liabilities in full within sixty (60) days of the Closing Date or in accordance with any agreement in writing entered into between the Seller and the Unaffected Creditor to whom Trade Liabilities are owed."

4. Section 7.3.2 of the Purchase Agreement is amended to read as follows:

   "The draft form of the CCAA Plan that the Buyers require be filed with the Court and considered by the Affected Creditors at a meeting of Affected Creditors held under section 6 of the CCAA is attached to this Agreement as Schedule 7.3.2."

5. Attached to this Amending Agreement is Schedule 7.3.2 to the Purchase Agreement, which is incorporated in and forms part of the Purchase Agreement.

6. Section 10.1.3.4 of the Purchase Agreement is amended by replacing "July 17, 2013" with "September 13, 2013".

7. The amendment to the Purchase Agreement provided for in sections 2 to 5 hereof will become effective upon the approval by the Court of this Amending Agreement.

8. Except as specifically amended by this Amending Agreement, the Purchase Agreement remains in full force and effect unamended and is hereby ratified and confirmed.

9. The execution, delivery and performance of this Amending Agreement shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of, any right or remedies of the Parties under the Purchase Agreement.

10. This Amending Agreement, together with the Purchase Agreement, constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

11. This Amending Agreement enures to the benefit of and is binding upon the Parties and their respective successors and permitted assigns.

12. FTI Consulting Canada Inc. has executed and delivered this Amending Agreement in its capacity as Monitor of the Seller and not in its personal capacity.

13. For greater certainty, on and after the date of this Amending Agreement, each reference in the Purchase Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import referring to the Purchase Agreement shall mean and be a reference to the Purchase Agreement, as amended by the Amending Agreement.

14. This Amending Agreement is governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Alberta and the laws of Canada applicable in that Province.

15. This Amending Agreement may be executed and delivered by the Parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.

THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK.

Each of the Parties has executed and delivered this Agreement as of the date noted at the beginning of the Agreement.

RS TECHNOLOGIES INC., by
FTI CONSULTING CANADA INC., in its capacity as Monitor and not in its personal capacity
Per:

_____
Name:
Title:

WERKLUND CAPITAL CORPORATION
Per:

_____
Name:
Title:

MELBYE SKANDINAVIA AS
Per:

_____
Name:
Title:

FTI CONSULTING CANADA INC., in its capacity as Monitor and not in its personal capacity
Per:

_____
Name:
Title:

SCHEDULE 7.3.2
BUYERS' CCAA PLAN

See the attached.

APPENDIX C

ONTARIO SECURITIES COMMISSION EXEMPTION APPLICATION

Blakes

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 4000, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Michael Smith
Associate
Dir: 416-863-4228
michael.smith@blakes.com

Reference: 89300/1

August 9, 2013

VIA E-MAIL AND COURIER

Ontario Securities Commission
20 Queen Street West
P.O. Box 55, Suite 1903
Toronto, Ontario M5H 3S8

Re: RS Technologies Inc.

Re: Application for exemptive relief under the securities legislation of Ontario

Dear Sir/Madam:

Enclosed please find a copy of an application for exemptive relief pursuant to Section 9.1(2) of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") from the requirements of Sections 4.2 and 4.5 of MI 61-101. Also enclosed please find a cheque in the amount of $4,500 representing the filing fee in connection with the application.

Please do not hesitate to contact me should you have any questions about this application or should you require any additional information.

Yours truly,

Michael Smith

c: Joel Tennison, *RS Technologies Inc.*
Kelly Bourassa, *Blake, Cassels & Graydon LLP*

Blakes

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
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Michael Smith
Associate
Dir: 416-863-4228
michael.smith@blakes.com

Reference: 89300/1

August 9, 2013

VIA COURIER AND EMAIL

Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, ON M5H 3S8

RE: RS Technologies Inc.
Re: Application for Exemptive Relief

Dear Sirs/Mesdames:

We are counsel to RS Technologies Inc. (the "**Filer**"). On behalf of the Filer, we hereby make this Application (the "**Application**") to the Ontario Securities Commission (the "**OSC**") for exemptive relief pursuant to Section 9.1(2) of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") from the requirements of Sections 4.2 and 4.5 of MI 61-101.

No other application in connection with the subject matter of this Application has been filed with any securities commission or similar authority in any province or territory of Canada. At the time of this application the Filer is not in default of applicable securities legislation in any of the jurisdictions of Canada.

1. SUMMARY OF REQUESTED RELIEF

This Application to the OSC is for the following:

1.1 Relief from the requirement under Section 4.2 of MI 61-101 to call a meeting of holders of affected securities of the Filer ("**Securityholders**") and to send an information circular to those Securityholders in connection with the Share Purchase (as defined below).

1.2 Relief from the requirement under Section 4.5 of MI 61-101 to obtain minority approval for the Share Purchase.

2. FACTS AND BACKGROUND

The Filer

2.1 The Filer is a corporation incorporated under the *Business Corporations Act* (Alberta) ("**ABCA**"). The Filer was previously known as "Resin Systems Inc." and in June of 2010 formally changed its name to RS Technologies Inc. The Filer is an ISO 9001:2008 certified

company and its core business is the design, engineering and manufacturing of modular composite poles.

2.2 The Filer's head office and registered office is located at 233 Mayland Place N.E., Calgary, Alberta, T2E 7Z8.

2.3 The Filer's authorized share capital consists of an unlimited number of common shares ("**Common Shares**") and unlimited number of preferred shares ("**Preferred Shares**"). As of August 7, 2013, the Filer had 17,963,864 issued and outstanding Common Shares, 6,666,480 issued and outstanding Preferred Shares and 4,977,586 issued and outstanding warrants. As of August 7, 2013, the Filer also had 10,000 stock options outstanding.

2.4 The Filer is a reporting issuer in each of the Provinces of Alberta, British Columbia, Ontario and Nova Scotia.

2.5 The Common Shares were previously listed on the Toronto Stock Exchange ("**TSX**") until March 29, 2011. On March 30, 2011, the Common Shares were listed for trading on the NEX board of the TSX Venture Exchange ("**TSXV**"). Effective June 27, 2011, the Common Shares were delisted from the NEX board of the TSXV and have not since traded on a recognized exchange. None of the Filer's securities are currently trading on a recognized exchange.

The Initial CCAA Order

2.6 On or about February 13, 2013, the Filer engaged FTI Consulting Canada Inc. to assist it with considering strategic alternatives in order to address its current financial circumstances and challenges to its operations.

2.7 On February 28, 2013, the board of directors of the Filer unanimously resolved to direct the Filer to proceed toward making preparations for a filing under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**"), if necessary, and to negotiate and finalize agreements and documents necessary for such filing. Subsequent to this resolution, management of the Filer negotiated with Werklund Capital Corporation ("**Werklund**") and Melbye Skandinavia SA ("**Melbye**" and together with Werklund, the "**Purchasers**") to provide support to the Filer in the CCAA proceedings, including potentially participating in the SISP (as defined below) and submitting a form of Credit Bid Purchase Agreement (as defined below).

2.8 On March 13, 2013, immediately prior to Filing Date (as defined below), Messrs. Brian Felesky, Jim Gray and Paul Giannelia resigned from the board of directors of the Filer. The remaining directors, being Messrs. David Werklund, Michael McGee and Ida Melbye-Larsen approved seeking of the Interim Order (as defined below).

2.9 On March 14, 2013 (the "**Filing Date**"), the Filer obtained protection from its creditors pursuant to an initial order (the "**Initial Order**") granted under the CCAA by the Court of Queen's Bench of Alberta (the "**Court**"). FTI Consulting Canada Inc. (the "**Monitor**") was appointed monitor of the affairs and finances of the Filer pursuant to the Initial Order.

2.10 Pursuant to an affidavit sworn in support of the Initial Order, the President and Chief Executive Officer of the Filer stated that based on current assets and liabilities, the Filer was insolvent as its liabilities exceeded its assets and the Filer was unable to meet its obligations generally as they became due. Pursuant to paragraph 2 of the Initial Order, the Filer was a company to which the CCAA applies. Section 3(1) of the CCAA provides that such Act applies in respect of a debtor company or affiliated debtor companies if the total of claims against the debtor company or affiliated debtor companies, determined in accordance with section 20 of such Act, is more than $5,000,000 or any other amount that is prescribed. A "debtor company" is defined under the CCAA as a company that:

(a) is bankrupt or insolvent,

(b) has committed an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or is deemed insolvent within the meaning of the *Winding-up and Restructuring Act* (Canada), whether or not proceedings in respect of the company have been taken under either of those Acts,

(c) has made an authorized assignment or against which a bankruptcy order has been made under the *Bankruptcy and Insolvency Act* (Canada), or

(d) is in the course of being wound up under the *Winding-up and Restructuring Act* (Canada) because the company is insolvent.

2.11 The Initial Order, *inter alia*, allows the Filer to continue operating as it attempts to develop a restructuring plan (the "**Plan**") by staying, as of the Filing Date, substantially all claims against the Filer, its property and assets and its directors, officers, agents, contractors and employees until April 12, 2013 (the "**Stay Termination Date**").

2.12 The Initial Order also authorized the Monitor to enter into interim financing in the form of an interim credit facility (the "**Interim Facility**") up to a maximum amount of $750,000 to be provided by the Purchasers (each for a 50% interest) in favour of the Filer to finance operations and costs incurred during the proceedings under the CCAA. The Court granted to the Purchasers a super priority charge to secure the obligations of the Filer under the Interim Facility. On June 11, 2013, the Court approved an increase in the maximum amount of the Interim Facility from $750,000 to $2,750,000.

2.13 On April 11, 2013, the Court granted an order extending the Stay Termination Date to June 28, 2013. On June 27, 2013, the Court granted a subsequent order further extending the Stay Termination Date to July 31, 2013. On July 29, 2013, the Court granted a subsequent order further extending the Stay Termination Date to August 31, 2013.

The Purchasers

2.14 Werklund is a corporation incorporated under the ABCA.

2.15 Werklund is controlled by David Werklund, the chairman and voting member of the board of directors of the Filer. Michael McGee is a nominee of Werklund and voting member of the board of directors of the Filer.

2.16 On July 5, 2011, the Filer entered into a secured convertible debenture with Werklund (the "**Convertible Debenture**") pursuant to which Werklund agreed to extend the Filer a term loan in the aggregate amount of $6,000,000. Under the terms of the Convertible Debenture, Werklund was granted the option (exercisable at any time) to convert all or any portion of the debt outstanding under the Convertible Debenture into Common Shares.

2.17 Melbye is corporation incorporated under the laws of Norway.

2.18 Ida Melbye-Larsen is a voting member of the board of directors of the Filer.

2.19 Pursuant to the terms of a debenture syndication and agency agreement dated August 31, 2012 between the Purchasers, Werklund assigned and transferred to Melbye ownership and control of an undivided 50% interest in the Convertible Debenture, as well as the security and ancillary documents related to the Convertible Debenture. Each of the Purchasers rank equally *pari passu* with one another and are secured *pro rata* based on their respective amounts funded to the Filer under the Convertible Debenture. The entire principal amount available under the Convertible Debenture has been fully drawn.

2.20 Pursuant to the terms of the Convertible Debenture, the Purchasers are entitled to acquire an aggregate of 18,181,818 Common Shares upon conversion of the Convertible Debenture at the conversion price of $0.33 per Common Share, which would represent approximately 50.3% of the outstanding Common Shares. The Convertible Debenture is set to mature on January 5, 2014 and the entire amount of the Convertible Debenture will be due and payable by the Filer on that date.

The Proposed Transaction

2.21 On April 11, 2013, the Court (i) approved a sale and investor solicitation procedure ("**SISP**"), (ii) approved an asset and share purchase agreement among the Filer, as vendor, the Purchasers, as purchasers, and the Monitor (the "**Credit Bid Purchase Agreement**") pursuant to which the Purchasers agreed to acquire the business of the Filer in the context of its CCAA proceedings, (iii) designated the Credit Bid Purchase Agreement as the stalking horse bid for the purposes of the SISP, and (iv) authorized and directed the Filer and the Monitor to enter into the Credit Bid Purchase Agreement with the Purchasers and complete the various transactions contemplated thereby in accordance with the terms and conditions of the Credit Bid Purchase Agreement.

2.22 Pursuant to terms of the SISP, the Monitor carried out phase one of the SISP, the purpose of which was to solicit non-binding indications of interest to purchase all of the assets of shares of the Filer. The Monitor did not receive any qualified non-binding indications of interest by the phase one deadline of May 21, 2013.

2.23 Conditional on the Monitor not receiving any qualified, non-binding indications of interest pursuant to phase one of the SISP, the Credit Bid Purchase Agreement contemplates the acquisition of the business of the Filer in the Context of its CCAA proceedings by the Purchaser (the "**Transaction**") pursuant to either:

(a) a share purchase, whereby the Filer would sell and issue to the Purchasers all of the newly created Class A shares (the "**Purchased Shares**") in the capital of the Filer, 50% of which would be registered in the name of Werklund and 50% of which would be registered in the name of Melbye, conditional on, among other things, approval and sanctioning of a plan of arrangement ("**Plan of Arrangement**") under the CCAA and the ABCA (the "**Share Purchase**"); or

(b) an asset purchase, whereby the Purchasers would each purchase an undivided 50% interest in all of the Filer's assets, provided certain conditions are satisfied (the "**Asset Purchase**").

2.24 The purchase price payable by the Purchasers under the Credit Bid Purchase Agreement (the "**Purchase Price**") is the aggregate amounts outstanding under the Convertible Debenture and the Interim Facility, as well as the aggregate of certain obligations of the Filer, including the accrued and unpaid priority payables, unpaid restructuring costs and the amount outstanding under a key employee retention plan. The Purchase Price does not include payment to holders of Common Shares and Preferred Shares (together, the "**Existing Equity Securities**") as consideration for the cancellation of such securities under the Plan of Arrangement.

2.25 While the form of the Transaction has not been finalized, it is currently anticipated that it will be structured as a Share Purchase. It is currently expected that the Plan of Arrangement effecting the Share Purchase will include the cancellation of all of the Existing Equity Securities for no consideration, and the issuance of the Purchased Shares to the Purchasers in consideration of the Purchase Price.

2.26 The Filer would seek an order from the applicable securities regulatory authorities to cease to be a reporting issuer following completion of the Share Purchase.

3. ANALYSIS AND SUBMISSIONS

3.1 Werklund is a "related party" of the Filer pursuant to subparagraph (g) of the definition of "related party" in MI 61-101 due to the fact that David Werklund is a director of the Filer and beneficially owns greater than 50% of the voting securities of Werklund.

3.2 Werklund and Melbye are "joint actors" as defined in MI 61-101 as a result of agreeing to the Credit Bid Purchase Agreement.

3.3 The Share Purchase would constitute a "business combination" pursuant to the definition of "business combination" of MI 61-101, and therefore the requirement to call a meeting of affected securityholders and send an information circular, and to obtain minority approval

under Sections 4.2 and 4.5, respectively, of Part IV – *Business Combinations* of MI 61-101 ("**Part IV**") would apply to the Share Purchase.

3.4 The Share Purchase would also constitute a "related party transaction" under MI 61-101, however would not be subject to the requirements of Part V – *Related Party Transactions* of MI 61-101("**Part V**") as a result of being a business combination.

3.5 The Asset Purchase would constitute a "related party transaction" pursuant to the definition of "related party transaction" in MI 61-101 and would not constitute a "business combination". As a result, the Asset Purchase would be subject to the requirements under Part V, including the requirements to call a meeting of affected securityholders, send an information circular and obtain minority approval. However, the Asset Purchase would meet the "Bankruptcy, Insolvency, Court Order" exemption set forth in Section 5.7(d) of MI 61-101 from such requirements.

3.6 Part IV does not contain an equivalent "Bankruptcy, Insolvency, Court Order" exemption from the requirements under Part IV to call a meeting of affected securityholders, send an information circular and to obtain minority approval in connection with a business combination. As a result, if the Purchasers were to proceed by way of Share Purchase, it would be necessary to call a meeting, send an information circular and obtain minority approval, despite the fact that the Purchasers could purchase all of the assets of the Filer by way of Asset Purchase without having to satisfy those requirements.

3.7 Regardless of whether the Transaction is completed by way of Asset Purchase or Share Purchase, due to the fact that (i) the Filer is insolvent, (ii) the Monitor did not receive any qualified, non-binding indications of interest pursuant to phase one of the SISP, and (iii) the Court authorized and directed the Filer and the Monitor to enter into the Credit Bid Purchase Agreement with the Purchasers and complete the various transactions contemplated thereby in accordance with the terms and conditions of the Credit Bid Purchase Agreement (including the Purchase Price), holders of Existing Equity Securities will not receive anything of value in consideration for their shares. To grant Existing Equity Securities a right to vote in the context of the Share Purchase would be the equivalent of granting Existing Equity Securities a veto over the Transaction, despite the fact that they no longer have an economic interest in the Filer to protect.

3.8 We therefore respectfully submit that the lack of a "Bankruptcy, Insolvency, Court Order" exemption in Part IV, in the present circumstances, leads to results which are inconsistent with the policy rationale underlying MI 61-101. We submit that the "Bankruptcy, Insolvency, Court Order" exemption in Part V was included to preserve the necessary flexibility to complete transactions necessary for the business of an issuer that is bankrupt, insolvent or operating in the sphere of insolvency and that the necessity of such transactions and the flexibility required to complete such transactions are not limited to "related party transactions" but should extend, in certain circumstances, to transactions which constitute "business combinations" under MI 61-101.

3.9 In the present circumstances, given the fact that the Court has approved the Credit Bid Purchase Agreement, the Asset Purchase and Share Purchase are economically equivalent and in each case holders of Existing Equity Securities will not receive any value from the Transaction in consideration for the shares, we respectfully submit that exemptive relief from the requirements of Sections 4.2 and 4.5 of MI 61-101 is warranted.

4. ORDER SOUGHT

4.1 The Filer hereby seeks an exemption pursuant to Section 9.1(2) of MI 61-101 from the provisions of Sections 4.2 and 4.5 of MI 61-101 in the event that the transaction proceeds by way of Share Purchase as described above.

5. PRIOR DECISION

5.1 Similar relief was granted to a reporting issuer applying for exemptive relief from, *inter alia*, Section 4.2 and Section 4.5 of MI 61-101 in the context of a court approved plan of arrangement under the CCAA in *Shermag Inc., Re*, 32 O.S.C.B. 4037.

6. ENCLOSURES

The following documents are enclosed in support of the Application:

6.1 a copy of a draft decision document, attached as Appendix "A";

6.2 a cheque in payment of the applicable application fees;

6.3 an executed verification and authorization statement of the Filer, attached as Appendix "B"; and

6.4 the referenced decision, attached as Appendix "C".

If you have any questions concerning this Application, please do not hesitate to contact me.

Yours truly,

Michael Smith

cc: Joel Tennison, *RS Technologies Inc.*
Kelly Bourassa, *Blake, Cassels & Graydon LLP*

Blakes

APPENDIX "A"

In the Matter of
the Securities Legislation of Ontario

and

In the Matter of
RS Technologies Inc
(the "**Filer**")

DECISION

Background

The Ontario Securities Commission (the "**Decision Maker**") has received an application from the Filer for a decision under the securities legislation of Ontario (the "**Legislation**") for exemptive relief pursuant to Section 9.1(2) of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") from the requirements of Sections 4.2 and 4.5 of MI 61-101 (the "**Exemptive Relief Sought**").

Interpretation

Terms defined in National Instrument 14-101 Definitions the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a corporation incorporated under the *Business Corporations Act* (Alberta) ("**ABCA**"). The Filer was previously known as "Resin Systems Inc." and in June of 2010 formally changed its name to RS Technologies Inc. The Filer is an ISO 9001:2008 certified company and its core business is the design, engineering and manufacturing of modular composite poles.

2. The Filer's head office and registered office is located at 233 Mayland Place N.E., Calgary, Alberta, T2E 7Z8.

3. The Filer's authorized share capital consists of an unlimited number of common shares ("**Common Shares**") and unlimited number of preferred shares ("**Preferred Shares**"). As of August 7, 2013, the Filer had 17,963,864 issued and outstanding Common Shares, 6,666,480 issued and outstanding Preferred Shares and 4,977,586 issued and outstanding warrants. As of August 7, 2013 the Filer also had 10,000 stock options outstanding.

4. The Filer is a reporting issuer in each of the Provinces of Alberta, British Columbia, Ontario and Nova Scotia.

5. The Common Shares were previously listed on the Toronto Stock Exchange ("**TSX**") until March 29, 2011. On March 30, 2011, the Common Shares were listed for trading on the NEX board of the TSX Venture Exchange ("**TSXV**"). Effective June 27, 2011, the Common Shares were delisted from the NEX board of the TSXV and have not since traded on a recognized exchange. None of the Filer's securities are currently trading on a recognized exchange.

6. On or about February 13, 2013, the Filer engaged FTI Consulting Canada Inc. to assist it with considering strategic alternatives in order to address its current financial circumstances and challenges to its operations.

7. On February 28, 2013, the board of directors of the Filer unanimously resolved to direct the Filer to proceed toward making preparations for a filing under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**"), if necessary, and to negotiate and finalize agreements and documents necessary for such filing. Subsequent to this resolution, management of the Filer negotiated with Werklund Capital Corporation ("**Werklund**") and Melbye Skandinavia SA ("**Melbye**" and together with Werklund, the "**Purchasers**") to provide support to the Filer in the CCAA proceedings, including potentially participating in the SISP (as defined below) and submitting a form of Credit Bid Purchase Agreement (as defined below).

8. On March 13, 2013, immediately prior to Filing Date (as defined below), Messrs. Brian Felesky, Jim Gray and Paul Giannelia resigned from the board of directors of the Filer. The remaining directors, being Messrs. David Werklund, Michael McGee and Ida Melbye-Larsen approved seeking of the Interim Order (as defined below).

9. On March 14, 2013 (the "**Filing Date**"), the Filer obtained protection from its creditors pursuant to an initial order (the "**Initial Order**") granted under the CCAA by the Court of Queen's Bench of Alberta (the "**Court**"). FTI Consulting Canada Inc. (the "**Monitor**") was appointed monitor of the affairs and finances of the Filer pursuant to the Initial Order.

10. Pursuant to an affidavit sworn in support of the Initial Order, the President and Chief Executive Officer of the Filer stated that based on current assets and liabilities, the Filer was insolvent as its liabilities exceeded its assets and the Filer was unable to meet its obligations generally as they became due. Pursuant to paragraph 2 of the Initial Order, the Filer was a company to which the CCAA applies. Section 3(1) of the CCAA provides that such Act applies in respect of a debtor company or affiliated debtor companies if the total of claims against the debtor company or affiliated debtor companies, determined in accordance with section 20 of such Act, is more than $5,000,000 or any other amount that is prescribed. A "debtor company" is defined under the CCAA as a company that:

    (a) is bankrupt or insolvent,

    (b) has committed an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or is deemed insolvent within the meaning of the *Winding-up and Restructuring Act* (Canada), whether or not proceedings in respect of the company have been taken under either of those Acts,

    (c) has made an authorized assignment or against which a bankruptcy order has been made under the *Bankruptcy and Insolvency Act* (Canada), or

    (d) is in the course of being wound up under the *Winding-up and Restructuring Act* (Canada) because the company is insolvent.

11. The Initial Order, *inter alia*, allows the Filer to continue operating as it attempts to develop a restructuring plan (the "**Plan**") by staying, as of the Filing Date, substantially all claims against the Filer, its property and assets and its directors,

officers, agents, contractors and employees until April 12, 2013 (the "**Stay Termination Date**").

12. The Initial Order also authorized the Monitor to enter into interim financing in the form of an interim credit facility (the "**Interim Facility**") up to a maximum amount of $750,000 to be provided by the Purchasers (each for a 50% interest) in favour of the Filer to finance operations and costs incurred during the proceedings under the CCAA. The Court granted to the Purchasers a super priority charge to secure the obligations of the Filer under the Interim Facility. On June 11, 2013, the Court approved an increase in the maximum amount of the Interim Facility from $750,000 to $2,750,000.

13. On April 11, 2013, the Court granted an order extending the Stay Termination Date to June 28, 2013. On June 27, 2013, the Court granted a subsequent order further extending the Stay Termination Date to July 31, 2013. On July 29, 2013, the Court granted a subsequent order further extending the Stay Termination Date to August 31, 2013.

14. Werklund is a corporation incorporated under the ABCA.

15. Werklund is controlled by David Werklund, the chairman and voting member of the board of directors of the Filer. Michael McGee is a nominee of Werklund and voting member of the board of directors of the Filer.

16. On July 5, 2011, the Filer entered into a secured convertible debenture with Werklund (the "**Convertible Debenture**") pursuant to which Werklund agreed to extend the Filer a term loan in the aggregate amount of $6,000,000. Under the terms of the Convertible Debenture, Werklund was granted the option (exercisable at any time) to convert all or any portion of the debt outstanding under the Convertible Debenture into Common Shares.

17. Melbye is corporation incorporated under the laws of Norway.

18. Ida Melbye-Larsen is a voting member of the board of directors of the Filer.

19. Pursuant to the terms of a debenture syndication and agency agreement dated August 31, 2012 between the Purchasers, Werklund assigned and transferred to Melbye ownership and control of an undivided 50% interest in the Convertible Debenture, as well as the security and ancillary documents related to the Convertible Debenture. Each of the Purchasers rank equally *pari passu* with one another and are secured *pro rata* based on their respective amounts funded to the Filer under the Convertible Debenture. The entire principal amount available under the Convertible Debenture has been fully drawn.

20. Pursuant to the terms of the Convertible Debenture, the Purchasers are entitled to acquire an aggregate of 18,181,818 Common Shares upon conversion of the Convertible Debenture at the conversion price of $0.33 per Common Share, which would represent approximately 50.3% of the outstanding Common Shares. The Convertible Debenture is set to mature on January 5, 2014 and the entire amount of the Convertible Debenture will be due and payable by the Filer on that date.

21. On April 11, 2013, the Court (i) approved a sale and investor solicitation procedure ("**SISP**"), (ii) approved an asset and share purchase agreement among the Filer, as

vendor, the Purchasers, as purchasers, and the Monitor (the "**Credit Bid Purchase Agreement**") pursuant to which the Purchasers agreed to acquire the business of the Filer in the context of its CCAA proceedings, (iii) designated the Credit Bid Purchase Agreement as the stalking horse bid for the purposes of the SISP, and (iv) authorized and directed the Filer and the Monitor to enter into the Credit Bid Purchase Agreement with the Purchasers and complete the various transactions contemplated thereby in accordance with the terms and conditions of the Credit Bid Purchase Agreement.

22. Pursuant to terms of the SISP, the Monitor carried out phase one of the SISP, the purpose of which was to solicit non-binding indications of interest to purchase all of the assets of shares of the Filer. The Monitor did not receive any qualified non-binding indications of interest by the phase one deadline of May 21, 2013.

23. Conditional on the Monitor not receiving any qualified, non-binding indications of interest pursuant to phase one of the SISP, the Credit Bid Purchase Agreement contemplates the acquisition of the business of the Filer in the Context of its CCAA proceedings by the Purchaser (the "**Transaction**") pursuant to either:

    (a) a share purchase, whereby the Filer would sell and issue to the Purchasers all of the newly created Class A shares (the "**Purchased Shares**") in the capital of the Filer, 50% of which would be registered in the name of Werklund and 50% of which would be registered in the name of Melbye, conditional on, among other things, approval and sanctioning of a plan of arrangement ("**Plan of Arrangement**") under the CCAA and the ABCA (the "**Share Purchase**"); or

    (b) an asset purchase, whereby the Purchasers would each purchase an undivided 50% interest in all of the Filer's assets, provided certain conditions are satisfied (the "**Asset Purchase**").

24. The purchase price payable by the Purchasers under the Credit Bid Purchase Agreement (the "**Purchase Price**") is the aggregate amounts outstanding under the Convertible Debenture and the Interim Facility, as well as the aggregate of certain obligations of the Filer, including the accrued and unpaid priority payables, unpaid restructuring costs and the amount outstanding under a key employee retention plan. The Purchase Price does not include payment to holders of Common Shares and Preferred Shares (together, the "**Existing Equity Securities**") as consideration for the cancellation of such securities under the Plan of Arrangement.

25. While the form of the Transaction has not been finalized, it is currently anticipated that it will be structured as a Share Purchase. It is currently expected that the Plan of Arrangement effecting the Share Purchase will include the cancellation of all of the Existing Equity Securities for no consideration, and the issuance of the Purchased Shares to the Purchasers in consideration of the Purchase Price.

26. The Filer would seek an order from the applicable securities regulatory authorities to cease to be a reporting issuer following completion of the Share Purchase.

27. The Share Purchase would constitute a "business combination" pursuant to the definition of "business combination" of MI 61-101, and therefore the requirement to call a meeting of affected securityholders and send an information circular, and to

obtain minority approval under Sections 4.2 and 4.5, respectively, of Part IV – *Business Combinations* of MI 61-101 ("**Part IV**") would apply to the Share Purchase.

28. The Asset Purchase would constitute a "related party transaction" pursuant to the definition of "related party transaction" in MI 61-101 and would not constitute a "business combination". As a result, the Asset Purchase would be subject to the requirements under Part V – *Related Party Transactions* of MI 61-101 ("**Part V**"), including the requirements to call a meeting of affected securityholders, send an information circular and obtain minority approval. However, the Asset Purchase would meet the "Bankruptcy, Insolvency, Court Order" exemption set forth in Section 5.7(d) of MI 61-101 from such requirements.

29. Part IV does not contain an equivalent "Bankruptcy, Insolvency, Court Order" exemption from the requirements under Part IV to call a meeting of affected securityholders, send an information circular and to obtain minority approval in connection with a business combination. As a result, if the Purchasers were to proceed by way of Share Purchase, it would be necessary to call a meeting, send an information circular and obtain minority approval, despite the fact that the Purchasers could purchase all of the assets of the Filer by way of Asset Purchase without having to satisfy those requirements.

30. Regardless of whether the Transaction is completed by way of Asset Purchase or Share Purchase, due to the fact that (i) the Filer is insolvent, (ii) the Monitor did not receive any qualified, non-binding indications of interest pursuant to phase one of the SISP, and (iii) the Court authorized and directed the Filer and the Monitor to enter into the Credit Bid Purchase Agreement with the Purchasers and complete the various transactions contemplated thereby in accordance with the terms and conditions of the Credit Bid Purchase Agreement (including the Purchase Price), holders of Existing Equity Securities will not receive anything of value in consideration for their shares. To grant Existing Equity Securities a right to vote in the context of the Share Purchase would be the equivalent of granting Existing Equity Securities a veto over the Transaction, despite the fact that they no longer have an economic interest in the Filer to protect.

Decision

The Decision Maker is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Maker under the Legislation is that the Exemptive Relief Sought is granted provided that the Transaction proceeds by way of Share Purchase as described above.

_____ **[NAME OF SIGNATORY]**

_____ **[TITLE]**

_____ Ontario Securities Commission

Blakes

APPENDIX "B"

APPENDIX "B"

CERTIFICATE OF VERIFICATION

The undersigned hereby authorizes the making and filing of the attached Application by Blake, Cassels & Graydon LLP on behalf of the undersigned and confirms the truth of the facts contained therein.

Dated at Calgary, Alberta this 9th day of August, 2013

RS TECHNOLOGIES INC.

By: _____

Name: Joel Tennison
Title: Chief Financial Officer

Blakes

APPENDIX "C"

32 O.S.C.B. 4037,

32 O.S.C.B. 4037

Reference: None

Shermag Inc., Re

In the Matter of the Securities Legislation of Quebec and Ontario (the "Jurisdictions") and In the Matter of the Process for Exemptive Relief Applications in Multiple Jurisdictions and In the Matter of Shermag Inc. (the "Filer")

Ontario Securities Commission

Louis Morisset

Date: March 16, 2009

Subject: Securities

Headnote

Dual Application for relief from formal valuation and minority approval requirements contained in Part 4 of Regulation **61-101** in connection with a business combination -- **CCAA** proceedings -- for a related party transaction, there is an exemption in Regulation **61-101** from the formal valuation and minority approval requirements in the context of a court approved bankruptcy / insolvency transaction -- no equivalent exemption available for a business combination transaction -- Independent Committee has reviewed the transaction proposed transaction Estimate Valuation Report by RSM Richter Inc., the monitor under the **CCAA** proceedings, concluded that the common shares of Shermag have no value -- Shareholders of Shermag have no economic interest -- No better alternatives than the proposed transaction.

Applicable Legislative Provisions

Regulation **61-101**

4.2

4.3

4.5

9.1

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the "*Decision Maker*" and collectively the "*Decision Makers*") has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "*Legislation*") for an exemption from the valuation and minority approval requirements under Sections 4.2, 4.3 and 4.5 of *Regulation **61-101** Protection of Minority Security Holders in Special Transactions* ("*Regulation **61-101***").

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

a) the *Autorite des marches financiers* is the principal regulator for this application, and

b) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in *Regulation 14-101 Definitions* and *Regulation 11-102 respecting the Passport System* have the same meaning if used in this decision, unless otherwise defined.

Representations

The decision is based on the following facts represented by the Filer:

1. The Filer is a company incorporated under the *Companies Act* (Quebec) on January 28, 1977. The Filer's core business is the production of household goods and residential furniture.

2. The Filer's head office and its administrative offices are located at 2171 King Street West, Sherbrooke, Quebec, Canada, J1J 2G1.

3. The Filer is a reporting issuer or the equivalent in the provinces of Quebec and Ontario and its common shares are listed for trading on the Toronto Stock Exchange.

4. The connecting factor used to identify Quebec as the principal regulator is the location of the Filer's head office and business operations.

5. On May 5, 2008 (the "*Filing Date*"), the Filer and its subsidiaries, Jaymar Furniture Corp., Scierie Montauban Inc., Megabois (1989) Inc., Shermag Corporation and Jaymar Sales Corporation (collectively, the "*Applicants*") applied for and obtained an order of the Quebec Superior Court (the "*Court*") for their protection under the *Companies' Creditors Arrangement Act* ("***CCAA***"), including a general stay of proceedings against the Applicants until June 4, 2008 (the "*Stay Termination Date*") (the "***CCAA** Order*").

6. The **CCAA** Order, inter alia, allows the Filer to continue operating as it attempts to develop a restructuring plan (the "*Plan*") by staying, as of the Filing Date, substantially all claims against the Applicants, their respective property and assets and their respective directors, officers, agents, contractors and employees.

7. Pursuant to the **CCAA** Order, the Filer obtained from the Court an order releasing it from certain obligations, and in particular that of preparing any document related to a potential shareholders' meeting, including the annual financial statements, management information, circular and annual information form (the "*Financial Statement Order*").

8. On June 4, 2008, the Applicants received from the Court a new order, inter alia, extending the Stay Termination Date to September 8, 2008. On September 8, 2008, the Filer obtained a new order from the Court further extending the Stay Termination Date to December 10, 2008. On December 10, 2008, the Filer obtained an new order from the Court further extending the Stay Termination Date to April 4, 2009.

9. Under the **CCAA** Order, the Court appointed RSM Richter Inc. ("*RSM Richter*") to act as monitor for the affairs and finances of the Filer for the period during which the **CCAA** Order is in effect, and in particular ordering it to give the Court and stakeholders, including creditors affected by the Plan, a report on the Plan valuation (the "*Monitor's Report*").

10. Clarke Inc. ("*Clarke*") is a Nova Scotia-based incorporated company.

11. Clarke is a reporting issuer in all of the provinces and territories of Canada and has its common shares and two series of convertible debentures listed for trading on the Toronto Stock Exchange.

12. Mr. George Armoyan is the Executive Chairman and senior officer of Clarke. Some companies controlled by Mr. Armoyan and/or relatives of Mr. Armoyan, including Geosam (as defined below), own an aggregate of approximately 32.2 % of the issued and outstanding common shares of Clarke.

13. Clarke owns approximately 19.99% of the issued and outstanding common shares of the Filer.

14. Mr. Armoyan and two other officers of Clarke are currently members of the board of directors of the Filer.

15. Geosam Investments Limited ("*Geosam*") is a Nova Scotia-based incorporated private investment company.

16. Geosam owns approximately 22.9 % of the issued and outstanding common shares of Clarke.

17. Mr. Armoyan is the President and Secretary of Geosam and Melinda Lee, one of the members of the board of directors of the Filer, is a Vice President of Clarke and of Geosam.

18. Geosam is a related party of Clarke as that term is defined in Regulation **61-101**. Clarke is a related party of the Filer as it owns more than 10 % of the voting rights attached to all the issued and outstanding voting securities of the Filer. Given the above-described relationships between Geosam, Clarke and the Filer, Geosam may be considered a control person of the Filer or acting in concert with Clarke.

19. On August 1, 2008, the Filer announced that its credit facilities with Wachovia Capital Finance Corporation (Canada) had been assigned to Geosam (the "*Debt Assignment*"). The Debt Assignment was approved by an order of the Court in the context of the **CCAA** proceedings concerning the Filer. Due to the Debt Assignment, Geosam became the sole secured creditor of the Filer.

20. Geosam has proposed to the Filer that Geosam acquire the business of the Filer in the context of **CCAA** proceedings (the "*Transaction*").

21. While the form that the Transaction will take has not been finalized yet, it is currently anticipated that it will be structured as an arrangement of the Filer pursuant to a Court order in the context of the **CCAA** proceedings (the "*Arrangement*"). The Arrangement would include the following features:

a) the existing equity of the Filer would be cancelled;

b) new common shares would be issued by the Filer to Geosam or a party designated by Geosam in consideration for a subscription amount of approximately $1,500,000 (the "*Subscription Amount*"); and

c) part or all of the Subscription Amount would be used by the Filer to offer and pay an amount to its creditors as a compromise and settlement of their respective claims.

22. The Filer plans to seek to cease to be a reporting issuer following the 'completion of the Transaction.

23. The Transaction could be also carried out by Geosam using an alternative method to the Arrangement, which may be in the form of a forced sale of the assets of the Filer by Geosam following the exercise and enforcement of its rights as secured creditor (the "*Asset Sale*"). Under Regulation **61-101**, the Asset Sale could constitute a "related party transaction" for which there is an exemption from the valuation and minority approval requirements in Part 5 of Regulation **61-101**.

24. According to the conclusions set out in the estimated valuation report included in the Monitor's Report prepared as at November 1st, 2008 by RSM Richter Corporate Finance (as defined below) and dated March 3rd, 2009 (the "*Estimated Valuation Report*"), the common shares of the Filer currently have no value. In addition, whether

the Transaction were to be completed by way of the Asset Sale or by way of the Arrangement under the **CCAA**, in light of the insolvency of the Filer, shareholders of the Filer will not receive anything for their common shares. Therefore to grant the shareholders a right to vote in the context of the Transaction would be the equivalent of giving them a veto over a transaction in which they no longer have any economic interest.

26. The Filer has set up a committee (the "*Independent Committee*") made up of the independent directors of its Board of Directors, namely Messrs. John LeBoutillier and Claude Pichette. For the purposes of this decision, the Decision Makers have asked for and obtained the following representations and confirmations from the Independent Committee:

a) The Independent Committee was originally created in February 2008 to consider the proposal made publicly by Clarke to acquire, at a price to be negotiated between Clarke and the Filer but below the then market price on the Toronto Stock Exchange, all the issued and outstanding shares of the Filer. Since any offer to be made by Clarke would have been considered an "insider bid" under Regulation **61-101**, the Independent Committee formally mandated KPMG LLP to obtain a formal valuation of the shares of the Filer. Considering the conclusion drawn by this formal valuation, in draft form, obtained by the Independent Committee, Clarke ultimately decided not to launch a formal offer for all the issued and outstanding shares of the Filer.

b) After the withdrawal of Clarke's offer in April 2008, the Independent Committee remained in function and closely monitored, and in the end approved along with the other Board members of the Filer, all events leading the Filer to file for protection under the **CCAA**. The Independent Committee considered, and ultimately independently approved, any and all aspects of the **CCAA** proceedings where any related party to the Filer or Clarke had an interest. In this regard, only the Independent Committee supervised and made decisions regarding matters where Clarke or Geosam had an interest, including the Debt Assignment, the subsequent amendments to the terms and conditions of such debt, the management agreement entered into with Clarke, the granting of additional security on uncharged assets of the Filer to Geosam, and all aspects of the Transaction;

c) The Filer is currently insolvent;

d) The Transaction is in the best interest of the Filer and all its stakeholders;

e) There are no better alternatives to the Transaction for the Filer and its stakeholders;

f) No proposal has been made to the Filer by any person pursuant to which its shareholders would receive any consideration for their shares of the Filer;

g) The Independent Committee is aware that the independent valuation and minority approval requirements prescribed by Regulation **61-101** are triggered by the Transaction if carried out by Arrangement;

h) The Independent Committee has determined that such requirements should not, in the circumstances, be

applicable due to the fact that the Independent Committee has satisfied itself that the fair market value of the issued and outstanding shares of the Filer is negative;

i) The Independent Committee is of the view that:

i) no shareholder approval, as prescribed by Regulation **61-101**, should be required in the circumstances, and the Independent Committee will not request or recommend same;

ii) no independent valuation as prescribed by Regulation **61-101**, other than the Estimated Valuation Report, should be required, and the Independent Committee will not request or recommend same;

iii) there is no need, or relevance, to request KPMG LLP to finalise its formal valuation obtained in 2008, and the Independent Committee will not request or recommend same;

j) If such valuation and approval are nevertheless required, the Filer would likely be forced into bankruptcy, and less money would be made available for the unsecured creditors of the Filer;

k) The Independent Committee has reviewed the Estimated Valuation Report. While the Estimated Valuation Report does not constitute an "Independent Valuation" for the purposes of Regulation **61-101**, it was prepared by an independent party, being the corporate finance division ("*RSM Richter Corporate Finance*") of the Court-appointed **CCAA** Monitor (working in conjunction with RSM Richter) for the purposes of submitting the Plan. The Independent Committee was further satisfied of RSM Richter Corporate Finance's experience, qualifications and independence and, taking into account all of the circumstances, including the interests of Geosam in the Transaction as well as the holdings and historical involvement of Clarke in and with the capital of the Filer, that RSM Richter Corporate Finance was given access to the information necessary to prepare its Estimated Valuation Report in an independent manner;

I) The Independent Committee is aware of the qualifications and limitations set forth in the Estimated Valuation Report;

m) The Independent Committee is satisfied with the manner in which the Estimated Valuation Report has been prepared and has accepted its conclusions;

n) Based upon the Estimated Valuation Report, the Independent Committee has concluded that :

i) the outstanding shares of the Filer have no value and will not have any value going forward;

ii) the shareholders of the Filer have no more economic interest in the Filer and will not have any economic interest going forward; and

iii) performing another valuation would be of no benefit under these circumstances since there is no

scenario under which the Filer's shareholders would receive any value for their shares;

o) Shareholders of the Filer do not have any economic interest in the outcome of the **CCAA** proceedings in that they will not receive any consideration for their shares and therefore their voting interest should not be considered within the context of the Transaction; and

p) The only viable solution for the Filer and the applicants to emerge from **CCAA** protection and continue its business that has been presented or proposed is the Transaction.

27. Since the, Filing Date, all material changes concerning the File have been duly and publicly disclosed as required by the securities legislation.

28. Due to the Financial Statement Order, the Filer has not filed the following continuous disclosure documents:

a) its annual information form in respect of its fiscal year ended April 4, 2008;

b) its annual financial statements and MD&A for its fiscal year ended April 4, 2008;

c) its interim financial statements and interim MD&As; and

d) its management proxy circular in respect of its fiscal year ended April 4, 2008. Decision

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted provided that the Transaction proceeds by way of Arrangement as set forth above.

"Louis Morisset"

Surintendant des marches de valeurs

END OF DOCUMENT

In the Matter of
the Securities Legislation of Ontario

and

In the Matter of
RS Technologies Inc
(the "**Filer**")

DECISION

Background

The Ontario Securities Commission (the "**Decision Maker**") has received an application from the Filer for a decision under the securities legislation of Ontario (the "**Legislation**") for exemptive relief pursuant to Section 9.1(2) of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") from the requirements of Sections 4.2 and 4.5 of MI 61-101 (the "**Exemptive Relief Sought**").

Interpretation

Terms defined in National Instrument 14-101 Definitions the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a corporation incorporated under the *Business Corporations Act* (Alberta) ("**ABCA**"). The Filer was previously known as "Resin Systems Inc." and in June of 2010 formally changed its name to RS Technologies Inc. The Filer is an ISO 9001:2008 certified company and its core business is the design, engineering and manufacturing of modular composite poles.

2. The Filer's head office and registered office is located at 233 Mayland Place N.E., Calgary, Alberta, T2E 7Z8.

3. The Filer's authorized share capital consists of an unlimited number of common shares ("**Common Shares**") and unlimited number of preferred shares ("**Preferred Shares**"). As of August 7, 2013, the Filer had 17,963,864 issued and outstanding Common Shares, 6,666,480 issued and outstanding Preferred Shares and 4,977,586 issued and outstanding warrants. As of August 7, 2013 the Filer also had 10,000 stock options outstanding.

4. The Filer is a reporting issuer in each of the Provinces of Alberta, British Columbia, Ontario and Nova Scotia.

5. The Common Shares were previously listed on the Toronto Stock Exchange ("**TSX**") until March 29, 2011. On March 30, 2011, the Common Shares were listed for trading on the NEX board of the TSX Venture Exchange ("**TSXV**"). Effective June 27, 2011, the Common Shares were delisted from the NEX board of the TSXV and have not since traded on a recognized exchange. None of the Filer's securities are currently trading on a recognized exchange.

6. On or about February 13, 2013, the Filer engaged FTI Consulting Canada Inc. to assist it with considering strategic alternatives in order to address its current financial circumstances and challenges to its operations.

7. On February 28, 2013, the board of directors of the Filer unanimously resolved to direct the Filer to proceed toward making preparations for a filing under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**"), if necessary, and to negotiate and finalize agreements and documents necessary for such filing. Subsequent to this resolution, management of the Filer negotiated with Werklund Capital Corporation ("**Werklund**") and Melbye Skandinavia SA ("**Melbye**" and together with Werklund, the "**Purchasers**") to provide support to the Filer in the CCAA proceedings, including potentially participating in the SISP (as defined below) and submitting a form of Credit Bid Purchase Agreement (as defined below).

8. On March 13, 2013, immediately prior to Filing Date (as defined below), Messrs. Brian Felesky, Jim Gray and Paul Giannelia resigned from the board of directors of the Filer. The remaining directors, being Messrs. David Werklund, Michael McGee and Ida Melbye-Larsen approved seeking of the Interim Order (as defined below).

9. On March 14, 2013 (the "**Filing Date**"), the Filer obtained protection from its creditors pursuant to an initial order (the "**Initial Order**") granted under the CCAA by the Court of Queen's Bench of Alberta (the "**Court**"). FTI Consulting Canada Inc. (the "**Monitor**") was appointed monitor of the affairs and finances of the Filer pursuant to the Initial Order.

10. Pursuant to an affidavit sworn in support of the Initial Order, the President and Chief Executive Officer of the Filer stated that based on current assets and liabilities, the Filer was insolvent as its liabilities exceeded its assets and the Filer was unable to meet its obligations generally as they became due. Pursuant to paragraph 2 of the Initial Order, the Filer was a company to which the CCAA applies. Section 3(1) of the CCAA provides that such Act applies in respect of a debtor company or affiliated debtor companies if the total of claims against the debtor company or affiliated debtor companies, determined in accordance with section 20 of such Act, is more than $5,000,000 or any other amount that is prescribed. A "debtor company" is defined under the CCAA as a company that:

    (a) is bankrupt or insolvent,

    (b) has committed an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) or is deemed insolvent within the meaning of the *Winding-up and Restructuring Act* (Canada), whether or not proceedings in respect of the company have been taken under either of those Acts,

    (c) has made an authorized assignment or against which a bankruptcy order has been made under the *Bankruptcy and Insolvency Act* (Canada), or

    (d) is in the course of being wound up under the *Winding-up and Restructuring Act* (Canada) because the company is insolvent.

11. The Initial Order, *inter alia*, allows the Filer to continue operating as it attempts to develop a restructuring plan (the "**Plan**") by staying, as of the Filing Date, substantially all claims against the Filer, its property and assets and its directors,

officers, agents, contractors and employees until April 12, 2013 (the "**Stay Termination Date**").

12. The Initial Order also authorized the Monitor to enter into interim financing in the form of an interim credit facility (the "**Interim Facility**") up to a maximum amount of $750,000 to be provided by the Purchasers (each for a 50% interest) in favour of the Filer to finance operations and costs incurred during the proceedings under the CCAA. The Court granted to the Purchasers a super priority charge to secure the obligations of the Filer under the Interim Facility. On June 11, 2013, the Court approved an increase in the maximum amount of the Interim Facility from $750,000 to $2,750,000.

13. On April 11, 2013, the Court granted an order extending the Stay Termination Date to June 28, 2013. On June 27, 2013, the Court granted a subsequent order further extending the Stay Termination Date to July 31, 2013. On July 29, 2013, the Court granted a subsequent order further extending the Stay Termination Date to August 31, 2013.

14. Werklund is a corporation incorporated under the ABCA.

15. Werklund is controlled by David Werklund, the chairman and voting member of the board of directors of the Filer. Michael McGee is a nominee of Werklund and voting member of the board of directors of the Filer.

16. On July 5, 2011, the Filer entered into a secured convertible debenture with Werklund (the "**Convertible Debenture**") pursuant to which Werklund agreed to extend the Filer a term loan in the aggregate amount of $6,000,000. Under the terms of the Convertible Debenture, Werklund was granted the option (exercisable at any time) to convert all or any portion of the debt outstanding under the Convertible Debenture into Common Shares.

17. Melbye is corporation incorporated under the laws of Norway.

18. Ida Melbye-Larsen is a voting member of the board of directors of the Filer.

19. Pursuant to the terms of a debenture syndication and agency agreement dated August 31, 2012 between the Purchasers, Werklund assigned and transferred to Melbye ownership and control of an undivided 50% interest in the Convertible Debenture, as well as the security and ancillary documents related to the Convertible Debenture. Each of the Purchasers rank equally *pari passu* with one another and are secured *pro rata* based on their respective amounts funded to the Filer under the Convertible Debenture. The entire principal amount available under the Convertible Debenture has been fully drawn.

20. Pursuant to the terms of the Convertible Debenture, the Purchasers are entitled to acquire an aggregate of 18,181,818 Common Shares upon conversion of the Convertible Debenture at the conversion price of $0.33 per Common Share, which would represent approximately 50.3% of the outstanding Common Shares. The Convertible Debenture is set to mature on January 5, 2014 and the entire amount of the Convertible Debenture will be due and payable by the Filer on that date.

21. On April 11, 2013, the Court (i) approved a sale and investor solicitation procedure ("**SISP**"), (ii) approved an asset and share purchase agreement among the Filer, as

vendor, the Purchasers, as purchasers, and the Monitor (the "**Credit Bid Purchase Agreement**") pursuant to which the Purchasers agreed to acquire the business of the Filer in the context of its CCAA proceedings, (iii) designated the Credit Bid Purchase Agreement as the stalking horse bid for the purposes of the SISP, and (iv) authorized and directed the Filer and the Monitor to enter into the Credit Bid Purchase Agreement with the Purchasers and complete the various transactions contemplated thereby in accordance with the terms and conditions of the Credit Bid Purchase Agreement.

22. Pursuant to terms of the SISP, the Monitor carried out phase one of the SISP, the purpose of which was to solicit non-binding indications of interest to purchase all of the assets of shares of the Filer. The Monitor did not receive any qualified non-binding indications of interest by the phase one deadline of May 21, 2013.

23. Conditional on the Monitor not receiving any qualified, non-binding indications of interest pursuant to phase one of the SISP, the Credit Bid Purchase Agreement contemplates the acquisition of the business of the Filer in the Context of its CCAA proceedings by the Purchaser (the "**Transaction**") pursuant to either:

    (a) a share purchase, whereby the Filer would sell and issue to the Purchasers all of the newly created Class A shares (the "**Purchased Shares**") in the capital of the Filer, 50% of which would be registered in the name of Werklund and 50% of which would be registered in the name of Melbye, conditional on, among other things, approval and sanctioning of a plan of arrangement ("**Plan of Arrangement**") under the CCAA and the ABCA (the "**Share Purchase**"); or

    (b) an asset purchase, whereby the Purchasers would each purchase an undivided 50% interest in all of the Filer's assets, provided certain conditions are satisfied (the "**Asset Purchase**").

24. The purchase price payable by the Purchasers under the Credit Bid Purchase Agreement (the "**Purchase Price**") is the aggregate amounts outstanding under the Convertible Debenture and the Interim Facility, as well as the aggregate of certain obligations of the Filer, including the accrued and unpaid priority payables, unpaid restructuring costs and the amount outstanding under a key employee retention plan. The Purchase Price does not include payment to holders of Common Shares and Preferred Shares (together, the "**Existing Equity Securities**") as consideration for the cancellation of such securities under the Plan of Arrangement.

25. While the form of the Transaction has not been finalized, it is currently anticipated that it will be structured as a Share Purchase. It is currently expected that the Plan of Arrangement effecting the Share Purchase will include the cancellation of all of the Existing Equity Securities for no consideration, and the issuance of the Purchased Shares to the Purchasers in consideration of the Purchase Price.

26. The Filer would seek an order from the applicable securities regulatory authorities to cease to be a reporting issuer following completion of the Share Purchase.

27. The Share Purchase would constitute a "business combination" pursuant to the definition of "business combination" of MI 61-101, and therefore the requirement to call a meeting of affected securityholders and send an information circular, and to

obtain minority approval under Sections 4.2 and 4.5, respectively, of Part IV – *Business Combinations* of MI 61-101 ("**Part IV**") would apply to the Share Purchase.

28. The Asset Purchase would constitute a "related party transaction" pursuant to the definition of "related party transaction" in MI 61-101 and would not constitute a "business combination". As a result, the Asset Purchase would be subject to the requirements under Part V – *Related Party Transactions* of MI 61-101 ("**Part V**"), including the requirements to call a meeting of affected securityholders, send an information circular and obtain minority approval. However, the Asset Purchase would meet the "Bankruptcy, Insolvency, Court Order" exemption set forth in Section 5.7(d) of MI 61-101 from such requirements.

29. Part IV does not contain an equivalent "Bankruptcy, Insolvency, Court Order" exemption from the requirements under Part IV to call a meeting of affected securityholders, send an information circular and to obtain minority approval in connection with a business combination. As a result, if the Purchasers were to proceed by way of Share Purchase, it would be necessary to call a meeting, send an information circular and obtain minority approval, despite the fact that the Purchasers could purchase all of the assets of the Filer by way of Asset Purchase without having to satisfy those requirements.

30. The Court has been advised of the requirements of MI 61-101 regarding minority approval for business combinations and the exemption provided for in this decision. The Court has confirmed that it does not require compliance with Section 4.5 of MI 61-101.

31. Regardless of whether the Transaction is completed by way of Asset Purchase or Share Purchase, due to the fact that (i) the Filer is insolvent, (ii) the Monitor did not receive any qualified, non-binding indications of interest pursuant to phase one of the SISP, and (iii) the Court authorized and directed the Filer and the Monitor to enter into the Credit Bid Purchase Agreement with the Purchasers and complete the various transactions contemplated thereby in accordance with the terms and conditions of the Credit Bid Purchase Agreement (including the Purchase Price), holders of Existing Equity Securities will not receive anything of value in consideration for their shares. To grant Existing Equity Securities a right to vote in the context of the Share Purchase would be the equivalent of granting Existing Equity Securities a veto over the Transaction, despite the fact that they no longer have an economic interest in the Filer to protect.

Decision

The Decision Maker is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Maker under the Legislation is that the Exemptive Relief Sought is granted provided that the Transaction proceeds by way of Share Purchase as described above.

[NAME OF SIGNATORY]

[TITLE]

Ontario Securities Commission