



Frequently Asked Questions

What is Chapter 11?

Chapter 11 of the U.S. Bankruptcy Code is a legal mechanism for court-supervised reorganization of a company's obligations. Chapter 11 provides a way for a company to address its financial issues in order to become a viable entity, while continuing day-to-day operations.

Why did Magnetation LLC and its direct subsidiaries file for protection under Chapter 11 of the U.S. Bankruptcy Code?

Magnetation LLC and its direct subsidiaries took this step only after very careful consideration and consultation with experienced financial and legal advisors. The Company decided that this would be the most effective path for it to protect the value of its assets for the benefit of its creditors and other stakeholders. Magnetation has obtained the agreement of its senior secured lenders to provide for the liquidity it requires to operate in the normal course of business while under the protection of Chapter 11.

Does this mean that Magnetation or its subsidiaries are going out of business?

No. Magnetation filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in order to address its immediate liquidity needs. The Company will operate in a "business as usual" mode during the Chapter 11 process. Going forward, suppliers will be paid under normal terms for all goods and services provided after the Chapter 11 filing.

Will suppliers continue to be paid for goods and services they provide to Magnetation?

The Company intends to pay suppliers under normal terms for goods received and services rendered after the filing on May 5, 2015. Any claims for goods received or services rendered after the filing date are considered "administrative claims," which receive a priority payment status.

Suppliers that provided goods or rendered services to the Company prior to the filing on May 5, 2015 may have what are referred to as "pre-petition claims." These claims cannot be paid at this time and will be addressed through a Plan of Reorganization that will be filed later in the case. If you have any such pre-petition claims, you will receive additional information regarding filing claims. Magnetation sincerely regrets the hardship or inconvenience that this may cause your company.

I have unpaid invoices dated before the bankruptcy date (i.e., pre-petition invoices). What should I do?

Once the Bankruptcy Court has confirmed the procedures and deadlines for filing claims, you will receive instructions on how to file a claim.



Why can the Company not pay me what I am owed?

The U.S. Bankruptcy Code generally prohibits the payment of all unpaid invoices incurred before the Company filed its Chapter 11 case. We sincerely regret the hardship and inconvenience that this may cause your company.

Why should I continue to provide Magnetation with goods and services if I have pre-petition claims?

There are two primary reasons to maintain your business relationship with the Company:

- Priority status of post-petition claims - Amounts owed for goods or services delivered after the bankruptcy filing are considered “administrative claims.” Simply stated, the Company must pay for goods and services that it receives in the ordinary course of business after the Chapter 11 filing. Also, it is important to understand that pursuant to the U.S. Bankruptcy Code, suppliers are required to fulfill all contractual obligations to the Company.
- Maximizing the value of your pre-petition claim - The value of all pre-petition claims is highly dependent on the success of the Company during the Chapter 11 process. The success of the Company during this period is in large part due to the support of the supplier community. Therefore, each supplier has the opportunity to affect the value of pre-petition claims.

What is my current balance? What is my pre-petition balance?

The Company is in the process of reviewing all of its records and separating pre- and post-petition invoices. In the coming weeks, each Debtor company will be filing a “Schedule of Assets and Liabilities.” In this document, the Company will list balances it believes are owed to its creditors.

Can you just give me some idea of how much I will get paid on the past bills?

The Company’s relationship with its suppliers is key to the future success of the Company, and the Company greatly appreciates your business. While we cannot promise what the amount of payout will be on your pre-petition claims, you can be sure that the Company will do everything it can to achieve the maximum recovery for all creditors. The Company sincerely regrets the hardship and inconvenience that this may cause your company.

Is it true that suppliers with outstanding pre-petition claims only get a few cents on the dollar for unpaid invoices?

At this time, the Company is not able to estimate what value a general unsecured claim will have in its Chapter 11 case.



If the Company cannot pay me for pre-petition invoices, what assurances can be provided that I will be paid for post-petition goods and services?

Under the U.S. Bankruptcy Code, all claims for goods and services delivered on or after the Chapter 11 filing date of May 5, 2015 are considered administrative claims. This means that the Company is allowed—and indeed obligated—to pay you in full and according to customary terms. The Company will be generating cash flow through its operations and has also lined up and sought approval for a post-petition financing facility. Once approved, these funds will be available to satisfy obligations associated with conducting the Company's operations, including payment under normal terms for goods and services provided after the filings.

Will Magnetation attempt to negotiate new terms now that it has filed?

The Company will continue to review the benefits and opportunities it has to improve its overall supplier relationships in the normal course of business. This will depend on the goods or services individual suppliers provide and the terms in place at the time of filing.

Given the uncertainties of the situation, can I renegotiate my terms with the Company?

The Company cannot pay more for goods and/or services at this time. The Company's ability to purchase goods or services from you on favorable terms and at competitive prices is critical.

When will I receive payment for goods and services delivered after the bankruptcy date?

Goods and services delivered after the Chapter 11 filing date of May 5, 2015 will be paid according to established terms.

Can I raise my product prices?

The automatic stay provision associated with Chapter 11 filings prevents you from raising your prices in an effort to recoup pre-petition claims. Should you have a business reason to raise prices other than the Company's filing itself, you can communicate with your usual contact at the Company who will collect the requisite information from you and determine if a price change can be approved.

Where can I find Chapter 11 case information?

Please refer to the Company's restructuring website at: www.donlinrecano.com/mag