

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF QUÉBEC  
DIVISION NO.: 01-MONTREAL  
COURT NO.: 500-11-045124-134  
ESTATE NO.: 41-1779027

SUPERIOR COURT  
(Commercial Division)  
*Bankruptcy and Insolvency Act*

IN THE MATTER OF THE PROPOSAL OF:

Romatec Inc.

a body politic and corporate, duly  
incorporated according to law and having its  
head office and its principal place of business  
at:

9485 TransCanada Hwy  
Saint-Laurent QC H4S 1V3

Debtor

- and -

Richter Advisory Group Inc.

Trustee

---

**TRUSTEE'S REPORT ON THE STATE OF THE INSOLVENT PERSON'S  
BUSINESS AND FINANCIAL AFFAIRS  
(Pursuant to 50.4(7)(b)(ii) and 50.4(9) of the Bankruptcy and Insolvency Act)**

I, Stéphane De Broux, CPA, CA, CIRP, of Richter Advisory Group Inc. ("Richter"), Trustee, with respect to the Notice of Intention to Make a Proposal ("Notice of Intention") filed by Romatec Inc. (the "Company" or "Debtor"), an insolvent person, do hereby report to the Court the following:

1. On August 16, 2013, the Debtor filed a Notice of Intention in accordance with the *Bankruptcy and Insolvency Act* (the "Act").
2. The Company has been engaged in the distribution of industrial valves, pumps, and instrumentation products and solutions for the manufacturing and process industry for over 50 years, including, sectors such as Oil and Gas, Agriculture, Mining, Industrial and Water & Wastewater industries.
3. On August 22, 2013, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("Projections") together with his report pursuant to Section 50.4(2)(c) of the Act, covering the period from August 12 to September 20, 2013, which included the major Assumptions used in the preparation of the aforementioned Projections. Concurrently therewith, the Trustee filed its Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act.
4. On August 23, 2013, documents were sent by regular mail to all creditors of the Debtor, as identified by it, which included a copy of the Debtor's Notice of Intention.

5. On September 13, 2013, the Debtor obtained an extension of delay for filing a proposal until October 31, 2013 to continue the development and implementation of its restructuring plan initiated since the filing of the Notice of Intention, which includes:
  - Sending notices to disclaim/resiliate two commercial leases as well as several equipment rental contracts;
  - Reducing operating expenses and overhead;
  - Assessing its business plan going forward and prepare financial projections to support same;
  - Negotiating with potential investors who could participate in the restructuring; and
  - Determining the terms of a viable proposal to settle with its unsecured creditors.
6. According to the Debtor's management, the above restructuring measures represent annual savings of operating and overhead costs totaling approximately \$1 million.
7. In order to monitor the affairs and finances of the Debtor, the Trustee has been provided with access to the books, records and other important documents of the Company.
8. The Trustee has compared the actual results to those projected since the filing of the first extension (September 9, 2013 to October 18, 2013 (the "Period")), of which the cumulative summary is annexed hereto as "**Exhibit A**". The Company has been paying its suppliers and employees, on a timely basis, for goods and services provided subsequent to the date of the filing of the Notice of Intention, according with the current business terms. The actual results to date have been in line with the Projections and can be summarized as follows:
  - Cash receipts for the Period amounted to approximately \$1,143K, a \$157K unfavorable variance as compared to the Projections (\$1,300K);
  - Operating disbursements for the Period were \$1,142K, representing a \$128K positive variance as compared to the projected disbursements of \$1,270K;
  - The net cash flow for the period was negative \$92K as compared to the projected negative net cash flow of \$60K, resulting in a \$32K unfavorable variance over the Projections.
9. The Debtor is filing a Motion to Extend the Delay for the Filing of a Proposal, in order to allow it to complete its current negotiations with potential investors who could participate in the restructuring, finalize the implementation of its restructuring plan and the formulation of a viable proposal to its creditors.
10. The Debtor's secured creditor, TD Bank, does not object to the requested extension and support the Debtor in its reorganization efforts.

11. The Debtor has prepared additional Cash Flow Projections for the period ending December 16, 2013. Annexed hereto as **Exhibit "B"** is the Statement of Projected Cash Flow covering the period from October 21, 2013 to December 16, 2013, the Trustee's Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act and the Debtor's Report pursuant to Section 50.4(2)(c) of the Act.
12. If the extension is granted, we are not aware of any facts indicating that any creditor would suffer a prejudice.
13. In the event that the extension is not granted and a Bankruptcy ensues, any reorganization efforts of the business would cease. Given the quantum of the secured debts, the orderly liquidation of the Company's assets would likely result in no dividend to the unsecured creditors. Consequently, the creditors' best opportunity to maximize recovery in this matter is to allow the Company time to continue its reorganization efforts and attempt to formulate a Proposal.
14. Given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to December 16, 2013.

DATED AT MONTREAL, this 24<sup>th</sup> day of October 2013.

**Richter Advisory Group Inc.**  
Trustee

A handwritten signature in black ink, appearing to read 'Stéphane De Broux', with a long horizontal line extending to the right.

**Per: Stéphane De Broux, CPA, CA, CIRP**

# Exhibit A

**Romatec Inc.****Actual results vs. projected from September 9 to October 18, 2013**

	<b>Projected</b>	<b>Actual</b>	<b>Variance</b>	<b>Notes</b>
<b>Cash Receipts</b>				
Accounts Receivable and other	\$ 1 300 000	\$ 1 142 692	\$(157 308)	1
	<b>1 300 000</b>	<b>1 142 692</b>	<b>(157 308)</b>	
<b>Operating Disbursements</b>				
Payroll and fringe benefits	(228 109)	(215 606)	12 503	
Purchases and other	(899 481)	(844 882)	54 599	2
Rent	(31 326)	(25 089)	6 237	
Travel	(47 920)	(20 252)	27 669	3
Overhead	(63 780)	(36 502)	27 278	4
<b>Total Operating Disbursements</b>	<b>(1 270 616)</b>	<b>(1 142 330)</b>	<b>128 286</b>	
<b>Cash Flow from Operations</b>	<b>29 384</b>	<b>362</b>	<b>(29 022)</b>	
<b>Financing and Restructuring Costs</b>				
Interest and bank fees	(15 000)	(23 227)	(8 227)	
Restructuring fees	(75 000)	(69 523)	5 477	
	<b>(90 000)</b>	<b>(92 750)</b>	<b>(2 750)</b>	
<b>Net Cash Flow</b>	<b>(60 616)</b>	<b>(92 388)</b>	<b>(31 772)</b>	
Opening Bank Indebtedness - Book Balance	(946 432)	(946 432)	-	
Net Cash Flow	(60 616)	(92 388)	(31 772)	
<b>Closing Bank Indebtedness - Book Balance</b>	<b>\$(1 007 048)</b>	<b>\$(1 038 820)</b>	<b>\$ (31 772)</b>	

**Note 1:** The unfavourable variance is primarily due to the Company lower sales than anticipated.

**Note 2:** The favourable variance is partially due to timing as well as an overall curtailment of purchases.

**Note 3:** The favorable variance is primarily due to lower employee travel in order to reduce costs.

**Note 4:** The favourable variance is partially due to timing as well as cancellation of contracts.

# Exhibit B

District of Quebec  
Division No.: 01 - Montréal  
Court No.: 500-11-045124-134  
Estate No.: 41-1779027

-- FORM 29 --  
Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)  
In the matter of the proposal of  
Romatec Inc  
Of the City of Saint-Laurent  
In the Province of Quebec

The attached statement of projected cash flow of Romatec Inc, as of the 24th day of October 2013, consisting of the period from October 21 to December 16, 2013, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

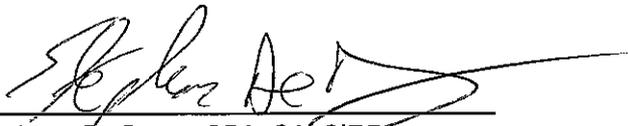
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Montréal in the Province of Quebec, this 24th day of October 2013.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Trustee

Per:



Stéphane De Broux, CPA, CA, CIRP  
1981 avenue McGill College, 12th Floor  
Montréal QC H3A 0G6  
Phone: (514) 934-3400 Fax: (514) 934-8603

District of Quebec  
Division No.: 01 - Montréal  
Court No.: 500-11-045124-134  
Estate No.: 41-1779027

\_FORM 29\_Attachment  
Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)  
In the matter of the proposal of  
Romatec Inc  
Of the City of Saint-Laurent  
In the Province of Quebec

**Purpose**

Romatec Inc. (the "Company") filed a Notice of Intention to Make a Proposal on August 16, 2013. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Company, for the period October 21 to December 16, 2013, relating to the filing of a Motion to extend the delay to make a proposal. This Statement of Projected Cash Flow has been prepared by management on October 24, 2013 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

**Projection Notes**

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period October 21 to December 16, 2013, considering the economic conditions that are considered the most probable by Management.  
As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

**Assumptions**

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon historical trending and collection patterns.

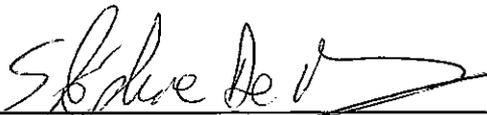
(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical trending adjusted to reflect the current level of activity and best estimates of the Company;

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at Montréal in the Province of Quebec, this 24th day of October 2013.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Trustee  
Per:



Stéphane De Broux, CPA, CA, CIRP  
1981 avenue McGill College, 12th Floor  
Montréal QC H3A 0G6  
Phone: (514) 934-3400 Fax: (514) 934-8603

District of Quebec  
Division No.: 01 - Montréal  
Court No.: 500-11-045124-134  
Estate No.: 41-1779027

- FORM 30 -  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of  
Romatec Inc  
Of the City of Saint-Laurent  
In the Province of Quebec

The Management of Romatec Inc, has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 24th day of October 2013, consisting of the period from October 21 to December 16, 2013.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Montréal in the Province of Quebec, this 24th day of October 2013.

  
Romatec Inc.  
Debtor

  
Name and title of signing officer

District of Quebec  
Division No.: 01 - Montréal  
Court No.: 500-11-045124-134  
Estate No.: 41-1779027

\_FORM 30\_Attachment  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of  
Romatec Inc  
Of the City of Saint-Laurent  
In the Province of Quebec

Purpose

Romatec Inc. (the "Company") filed a Notice of Intention to Make a Proposal on August 16, 2013. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Company, for the period October 21 to December 16, 2013, relating to the filing of a Motion to extend the delay to make a proposal. This Statement of Projected Cash Flow has been prepared by management on October 24, 2013 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period October 21 to December 16, 2013, considering the economic conditions that are considered the most probable by Management.  
As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon historical trending and collection patterns.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical trending adjusted to reflect the current level of activity and best estimates of the Company;

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at Montréal in the Province of Quebec, this 24th day of October 2013.

  
Romatec Inc.  
Debtor

Romatec Inc.  
Projected 8-week cash flow

Week ending	Projected								Total
	25-Oct-13	1-Nov-13	8-Nov-13	15-Nov-13	22-Nov-13	29-Nov-13	6-Dec-13	16-Dec-13	
<b>Projected Cash Receipts</b>									
Accounts Receivable and other	\$ 210 000	\$ 210 000	\$ 210 000	\$ 210 000	\$ 210 000	\$ 250 000	\$ 210 000	\$ 210 000	\$ 1 720 000
	<b>210 000</b>	<b>210 000</b>	<b>210 000</b>	<b>210 000</b>	<b>210 000</b>	<b>250 000</b>	<b>210 000</b>	<b>210 000</b>	<b>1 720 000</b>
<b>Projected Operating Disbursements</b>									
Payroll and fringe benefits	(72 000)	(12 109)	(72 000)	-	(72 000)	(12 109)	(72 000)	-	(312 218)
Purchases and other	(121 212)	(125 453)	(125 453)	(129 666)	(132 453)	(132 453)	(132 453)	(132 453)	(1 031 594)
Rent	-	(21 760)	-	-	-	-	(21 760)	-	(43 520)
Travel	(6 126)	(9 848)	(6 126)	(9 848)	(6 126)	(9 848)	(6 126)	(9 848)	(63 894)
Overhead	(10 903)	(31 658)	(6 903)	(6 903)	(6 903)	(54 755)	(7 803)	(10 903)	(136 732)
<b>Total Operating Disbursements</b>	<b>(210 241)</b>	<b>(200 827)</b>	<b>(210 482)</b>	<b>(146 417)</b>	<b>(217 482)</b>	<b>(209 164)</b>	<b>(240 142)</b>	<b>(153 203)</b>	<b>(1 587 957)</b>
<b>Projected Cash Flow from Operations</b>	<b>(241)</b>	<b>9 173</b>	<b>(482)</b>	<b>63 583</b>	<b>(7 482)</b>	<b>40 836</b>	<b>(30 142)</b>	<b>56 797</b>	<b>132 043</b>
<b>Financing and Restructuring Costs</b>									
Interest and bank fees	-	(5 000)	(5 000)	(5 000)	-	(5 000)	(5 000)	(5 000)	(30 000)
Restructuring fees	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(10 000)	(80 000)
	<b>(10 000)</b>	<b>(15 000)</b>	<b>(15 000)</b>	<b>(15 000)</b>	<b>(10 000)</b>	<b>(15 000)</b>	<b>(15 000)</b>	<b>(15 000)</b>	<b>(110 000)</b>
<b>Projected Net Cash Flow</b>	<b>(10 241)</b>	<b>(5 827)</b>	<b>(15 482)</b>	<b>48 583</b>	<b>(17 482)</b>	<b>25 836</b>	<b>(45 142)</b>	<b>41 797</b>	<b>22 043</b>
Opening Bank Indebtedness - Book Balance	(1 038 820)	(1 049 061)	(983 383)	(998 865)	(950 282)	(967 763)	(941 927)	(987 069)	(1 038 820)
Adjustment re: cancellation of letter of credit	-	71 505	-	-	-	-	-	-	71 505
<b>Net Cash Flow</b>	<b>(10 241)</b>	<b>(5 827)</b>	<b>(15 482)</b>	<b>48 583</b>	<b>(17 482)</b>	<b>25 836</b>	<b>(45 142)</b>	<b>41 797</b>	<b>22 043</b>
<b>Closing Bank Indebtedness - Book Balance</b>	<b>\$ (1 049 061)</b>	<b>\$ (983 383)</b>	<b>\$ (998 865)</b>	<b>\$ (950 282)</b>	<b>\$ (967 763)</b>	<b>\$ (941 927)</b>	<b>\$ (987 069)</b>	<b>\$ (945 272)</b>	<b>\$ (945 272)</b>

*Stephane de Beauvoir*  
 Per: STEPHANE DE BEAUVOIR  
 TRUSTEE  
 10/28/2013

Oct 27 2013  
*[Signature]*