

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 Highway,
Saint-Laurent, Quebec 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:

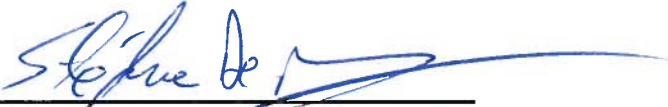
1. On August 16, 2013, the Debtor filed a Notice of Intention in accordance with the *Bankruptcy and Insolvency Act* (the "Act").
2. The Company has been engaged in the distribution of industrial valves, pumps, and instrumentation products and solutions for the manufacturing and process industry for 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, 2013 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. 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.

6. The Trustee has compared the actual results to those projected since the filing of the second extension (October 19, 2013 to November 29, 2013 (the "Period")), of which the cumulative summary is annexed hereto as "Exhibit A". The Company has been paying its suppliers and its employees, on a timely basis, for goods and services provided, subsequent to the date of the filing of the Notice of Intention, and 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 \$1,349K, a \$49K favorable variance as compared to the Projections (\$1,300K);
 - Operating disbursements, financing and restructuring cost for the Period were \$1,263K, representing a \$11K positive variance as compared to the projected disbursements (\$1,274K);
 - The net cash flow for the period was positive \$85K as compared to the projected positive net cash flow of \$25K, resulting in a \$60K favorable variance over the Projections.
7. On September 13, 2013 and October 24, 2013, the Debtor obtained an extension of delay for filing a proposal until October 31, 2013 and December 16, 2013 respectively, 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 or resiliate two (2) commercial leases as well as several equipment rental contracts;
 - Reducing operating expenses and overhead;
 - Assessing its business plan going forward and preparing financial projections to support same; and
 - Determining the terms of a viable proposal to settle with its unsecured creditors.
8. According to the Debtor's management, the above restructuring measures that have been implemented represent annual savings of operating and overhead costs totaling approximately \$1 million.
9. Romatec has completed the restructuring of its business and will be filing a proposal. However, given the holiday vacation and the 21 day statutory deadline to hold a meeting of creditors to vote on such proposal, Romatec does not want to encumber its restructuring process and be forced to hold a meeting at a date where most of its creditors may not be reachable and/or not be able to attend.
10. Romatec therefore seeks this third extension of delay in order to allow it to file a viable proposal in due course that will satisfy its creditors.
11. The Debtor has prepared additional Cash Flow Projections for the period ending January 31, 2014. Annexed hereto as "Exhibit B" is the Statement of Projected Cash Flow covering the period from November 30, 2013 to January 31, 2014, 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 and no proposal would be filed. 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 formulate a proposal.
14. Given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to January 30, 2014.

DATED AT MONTREAL, this 11th day of December 2013.

Richter Advisory Group Inc.
Trustee



Per: Stephane De Broix, CPA, CA, CIRP

EXHIBIT A

Romatec Inc.			
Actual results vs. projected from October 19 to November 29, 2013			
	Projected	Actual	Variance
Cash Receipts			
Accounts Receivable and other	\$ 1 300 000	\$ 1 349 451	\$ 49 451
	<u>1 300 000</u>	<u>1 349 451</u>	<u>49 451</u>
Operating Disbursements			
Payroll and fringe benefits	(240 218)	(204 886)	35 332
Purchases and other	(766 688)	(842 405)	(75 717)
Rent	(21 760)	(19 504)	2 256
Travel	(47 920)	(34 611)	13 309
Overhead	(118 026)	(64 294)	53 732
Total Operating Disbursements	<u>(1 194 612)</u>	<u>(1 165 700)</u>	<u>28 913</u>
Cash Flow from Operations	<u>105 388</u>	<u>183 752</u>	<u>78 364</u>
Financing and Restructuring Costs			
Interest and bank fees	(20 000)	(21 917)	(1 917)
Restructuring fees	(60 000)	(76 221)	(16 221)
	<u>(80 000)</u>	<u>(98 138)</u>	<u>(18 138)</u>
Net Cash Flow	<u>25 388</u>	<u>85 613</u>	<u>60 225</u>
Opening Bank Indebtedness - Book Balance	(967 315)	(952 315)	15 000
Net Cash Flow	25 388	85 613	60 225
Closing Bank indebtedness - Book Balance	<u>\$ (941 927)</u>	<u>\$ (866 702)</u>	<u>\$ 75 225</u>

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 11th day of December 2013, consisting of the period from November 30, 2013 to January 31, 2014, 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 or 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 or the insolvent person 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

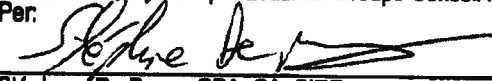
(c) the projection does not reflect the probable and hypothetical assumptions.

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 the City of Montréal in the Province of Quebec, this 11th day of December 2013.

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


Stéphane De Broux, CPA, CA, CIRP
1981 avenue McGill College, 12e étage
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
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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 November 30, 2013 to January 31, 2014, 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 December 11, 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 November 30, 2013 to January 31, 2014, 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 the City of Montréal in the Province of Quebec, this 11th day of December 2013.

Richter Advisory Group Inc/Richter Groupe Conseil inc. - Trustee

Per:


Stéphane De Broux, CPA, CA, CIRP
1981 avenue McGill College, 12^e étage
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
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- 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/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 11th day of December 2013, consisting of the period from November 30, 2013 to January 31, 2014.

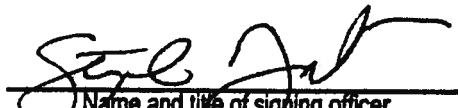
The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions 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 the City of Montréal in the Province of Quebec, this 11th day of December 2013.


Romatec Inc
Debtor


Name and title of signing officer
Stephen Dockerty, President

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 November 30, 2013 to January 31, 2014, 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 December 11, 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 November 30, 2013 to January 31, 2014, 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 the City of Montréal in the Province of Quebec, this 11th day of December 2013.


Romatec Inc

