

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTRÉAL  
DIVISION No.: 01-Montréal  
COURT No.: 500-11-049142-157  
ESTATE No.: 41-2016258  
OFFICE No.: 937350-1000001

SUPERIOR COURT  
Commercial Division

**IN THE MATTER OF THE  
PROPOSAL OF:**

**COVER INDUSTRIES INC.**, a legal person, duly  
incorporated according to law, having its head office at  
9300 Ray-Lawson Blvd., Anjou, Quebec H1J 1Y6

Insolvent person

– and –

**DELOITTE RESTRUCTURING INC.**  
(Jean-Christophe Hamel, CPA, CA, CIRP, designated  
responsible person) having a place of business at  
1190 avenue des Canadiens-de-Montréal, suite 500,  
Montréal, Quebec H3B 0M7

Trustee

**TRUSTEE'S REPORT ON CASH FLOW STATEMENT**  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

To: Mrs. Immaculée Uwimana  
Official Receiver  
Office of the Superintendent of Bankruptcy  
Industry Canada  
1550 avenue d'Estimauville, 7<sup>th</sup> Floor  
Québec QC G1J 0C4

The attached statement of projected cash flow of Cover Industries Inc., as of the 17<sup>th</sup> day of July, 2015, consisting of the period beginning on the 16<sup>th</sup> day of July, 2015 and ending on the 4<sup>th</sup> day of September, 2015, has been prepared by the management of the Insolvent person for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Note 3.

Our review consisted of inquiries, analytical procedures, and discussions 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 the 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 by management 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 Note 1, and readers are cautioned that it may not be appropriate for other purposes.

DATED AT MONTREAL, this 17<sup>th</sup> day of  
July, 2015.

DELOITTE RESTRUCTURING INC.  
Trustee *in re*: the proposal of  
Cover Industries Inc.



Jean-Christophe Hamel, CPA, CA, CIRP

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SUPERIOR COURT  
Commercial Division

**IN THE MATTER OF THE  
PROPOSAL OF:**

**COVER INDUSTRIES INC.**, a legal person, duly incorporated according to law, having its head office and principal place of business at 9300 Ray-Lawson Blvd., Anjou, Quebec H1J 1Y6

Insolvent person

– and –

**DELOITTE RESTRUCTURING INC.**  
(Jean-Christophe Hamel, CPA, CA, CIRP, designated responsible person) having a place of business at 1190 avenue des Canadiens-de-Montréal, suite 500, Montréal, Quebec H3B 0M7

Trustee

**REPORT ON CASH FLOW STATEMENT BY THE PERSON MAKING THE PROPOSAL**  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

The management of **Cover Industries Inc.** has developed the assumptions and prepared the attached statement of projected cash flow of the Insolvent person, as of **July 17, 2015**, consisting of the period from July 16, 2015 to September 4, 2015.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1, 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 Note 3.

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 Note 1, using a set of probable and hypothetical assumptions set out in Note 3. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DATED AT MONTREAL, this 17<sup>th</sup> day  
of July, 2015

Cover Industries Inc.



Dave Kuta

**Cover Industries Inc.**  
**Statement of receipts and disbursements**  
**For the period from July 16, 2015 to September 4, 2015**

	Period from 16/07/15 to 04/09/15
	(\$000)
<b>Receipts</b>	
DIP financing	685
Funding from secured creditor	135
	820
<b>Disbursements</b>	
Key employees's salaries	71
Deductions at source	49
Security	39
Hydro-Québec	22
Insurance	60
Professional fees	413
Other	35
Chief restructuring officer	80
	769
<b>Projected bank balance variation</b>	<b>51</b>
<b>Bank balance - beginning</b>	-
<b>Bank balance - ending</b>	<b>51</b>



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 Dave Kuta  
 Chief restructuring officer  
 Cover Industries Inc.

This statement of projected cash flow of Cover Industries Inc., prepared in accordance with Subsection 50.4(2) of the *Bankruptcy and Insolvency Act*, should be read in conjunction with the Trustee's Report.

July 17, 2015

Deloitte Restructuring Inc.



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 Jean-Christophe Hamel, CPA, CA, CIRP  
 Trustee

**Cover Industries Inc.**  
**Eight-week period projected cash flow**

Week ending (C\$)	1 17-Jul	2 24-Jul	3 31-Jul	4 7-Aug	5 14-Aug	6 21-Aug	7 28-Aug	8 4-Sep	Total (8 weeks)
<b>Cash receipts</b>									
DIP financing <i>(Note 1)</i>	-	195	100	95	90	60	85	60	685
Funding from secured creditor	135	-	-	-	-	-	-	-	135
Other	-	-	-	-	-	-	-	-	-
	<b>135</b>	<b>195</b>	<b>100</b>	<b>95</b>	<b>90</b>	<b>60</b>	<b>85</b>	<b>60</b>	<b>820</b>
<b>Cash disbursements</b>									
Key employees' salaries	14	-	19	-	19	-	19	-	71
Deductions at source	-	10	13	-	13	-	13	-	49
Security	4	5	5	5	5	5	5	5	39
Hydro-Québec	-	-	-	22	-	-	-	-	22
Insurance	-	60	-	-	-	-	-	-	60
Professional fees	85	36	60	55	50	40	47	40	413
Other	-	5	5	5	5	5	5	5	35
Chief restructuring officer	10	10	10	10	10	10	10	10	80
	<b>113</b>	<b>126</b>	<b>112</b>	<b>97</b>	<b>102</b>	<b>60</b>	<b>99</b>	<b>60</b>	<b>769</b>
<b>Net cash flow</b>	<b>22</b>	<b>69</b>	<b>(12)</b>	<b>(2)</b>	<b>(12)</b>	<b>-</b>	<b>(14)</b>	<b>-</b>	<b>51</b>
<b>Cash position - Opening</b>	<b>-</b>	<b>22</b>	<b>91</b>	<b>79</b>	<b>77</b>	<b>65</b>	<b>65</b>	<b>51</b>	<b>-</b>
<b>Cash position - Ending</b>	<b>22</b>	<b>91</b>	<b>79</b>	<b>77</b>	<b>65</b>	<b>65</b>	<b>51</b>	<b>51</b>	<b>51</b>

**Note 1:**

The above cash flow projection assumes collections from DIP financing of \$685K during the eight-week period ending September 4, 2015. Please note however that as of the time of the preparation of the above cash flow projection, no formal agreement/term sheet was yet concluded between the potential DIP lender identified and Cover Industries Inc. Should no final agreement be reached in the coming days between the potential DIP lender identified and Cover Industries Inc., the projected receipts and disbursements presented in the above cash flow projection would be materially affected.



**Cover Industries Inc.**

**NOTES TO THE PROJECTED CASH FLOW STATEMENT**

For the period from July 16, 2015 to September 4, 2015

(Unaudited – see the Trustee’s report)

1. **PURPOSE OF THE CASH FLOW PROJECTION**

The cash flow projection was prepared on July 17, 2015, by Cover Industries Inc.’s (the “company”) management, based on financial information available at that date.

The purpose of this projection is to provide the Official Receiver with future-oriented financial information, in connection with the filing on the Notice of Intention to Make a Proposal to the creditors, in accordance with the terms of the *Bankruptcy and Insolvency Act*. Readers are cautioned that this information may not be appropriate for other purposes. The company plans to update the future-oriented financial information at the time of the filing of the proposal to the creditors.

The cash flow projection has been prepared based on assumptions that reflect the planned courses of action of the company’s management for the period from July 16, 2015 to September 4, 2015, given a set of economic conditions that, in management’s opinion, are the most probable.

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.

2. **GOING CONCERN**

As part of a reorganization plan, the company filed a Notice of Intention to Make a Proposal to its creditors on July 16, 2015 pursuant to the provisions of the *Bankruptcy and Insolvency Act*.

The present cash flow projection recognizes that the company is a going concern and intends to file a proposal to its creditors.

3. ASSUMPTIONS

**Receipts**

**DIP financing**

Collections from DIP financing over the eight-week period covered by the projected cash flow statement were estimated by management based on the amount of funds estimated to be required during the period and on the terms of the term sheet currently being negotiated between the potential DIP lender identified and the company.

Please note however that as of the time of the preparation of the cash flow, no formal agreement/term sheet was yet concluded between the potential DIP lender identified and the company. Should no final agreement be reached in the coming days between the potential DIP lender identified and the company, the projected receipts and disbursements presented in the cash flow projection would be materially affected.

**Funding from secured creditor**

Management's estimate based on actual funding of secured creditor as of the time of the preparation of the cash flow projection.

**Disbursements**

**Key employees' salaries and deductions at source**

Management's estimate based on the current average of amounts payable to active employees and the government related to payroll (as well as to the related payment of deductions at source).

**Security**

Management's estimate based on the average amount payable to suppliers currently ensuring the security of vacant/non-operating premises of the company.

**Hydro-Québec**

Management's estimate based on recent historical payments.

**Insurance**

Management's estimate based on a quote received from the insurance company.

**Professional fees**

Represent management's estimate of professional fees to be incurred in the course of the company's restructuring.

**Other**

Management's estimate based on the recent historical level of miscellaneous and other costs incurred by the company in the last few weeks.

**Chief restructuring officer**

Management's estimate based on the current average of amount payable to the chief restructuring officer in the course of the company's current restructuring efforts.