

CANADA
PROVINCE DE QUÉBEC
DISTRICT DE QUÉBEC
DIVISION N° : 01 - Montréal
COUR N° : 500-11-049142-157
DOSSIER N° : 41-2016258
BUREAU N° : 937350-1000001

COUR SUPÉRIEURE
Chambre commerciale

**DANS L'AFFAIRE DE LA
PROPOSITION DE :**

INDUSTRIES COVER INC., personne morale dûment
constituée selon la loi, ayant son siège social et son
principal établissement commercial au 9300, boulevard
Ray-Lawson, Anjou, Québec, H1J 1Y6

Personne insolvable

– et –

RESTRUCTURATION DELOITTE INC.
(Jean-Christophe Hamel, CPA, CA, CIRP, responsable
désigné) ayant un établissement au 1190, avenue des
Canadiens-de-Montréal, bureau 500, Montréal,
Québec, H3B 0M7

Syndic

**RAPPORT DE SURVEILLANCE DU SYNDIC SUR L'ÉTAT DES AFFAIRES
ET DES FINANCES DE LA PERSONNE INSOLVABLE
(Sous-alinéa 50.4(7)b)(ii) et paragraphe 50.4(9) de la *Loi sur la faillite et l'insolvabilité*)**

Je, soussigné, Jean-Christophe Hamel, CPA, CA, CIRP, de Restructuration Deloitte Inc. (« **Deloitte** »), syndic agissant dans l'affaire de l'avis d'intention de déposer une proposition d'Industries Cover Inc. (« **Cover** » ou la « **Société** »), personne insolvable, fais rapport au Tribunal des principales observations relatives aux affaires et aux finances de la personne insolvable dégagées dans le cadre de son obligation de surveillance prévue au sous-alinéa 50.4(7)b)(ii) de la Loi.

1. Dans le cadre de la préparation de ce rapport, nous nous sommes appuyés sur des informations financières auditées et non auditées, les registres de Cover, les projections financières préparées par sa direction ainsi que sur des discussions avec les employés et la direction de la Société. Nous n'avons pas procédé à un audit, à un examen ou à toute autre forme d'attestation des informations qui nous ont été fournies, et nous n'exprimons pas d'opinion à leur égard.
2. La Société a déposé un avis d'intention de faire une proposition le 16 juillet 2015.

INDUSTRIES COVER INC.

Rapport de surveillance du syndic

Le 12 août 2015

3. Cover est une société se spécialisant dans la fabrication de produits en verre, principalement (mais pas exclusivement) des unités de verre isolant, qui sont vendus à des fabricants de fenêtres (industriel, commercial et résidentiel).
4. Le présent rapport aborde les sujets suivants :
 - a. Les activités du Syndic depuis le 16 juillet 2015;
 - b. Les activités de Cover entre le 16 juillet et le 7 août 2015;
 - c. La demande par Cover d'une prorogation de la période de suspension des procédures;
 - d. La recommandation du Syndic.

ACTIVITÉS DU SYNDIC

5. Le 17 juillet 2015, le Syndic a expédié à tous les créanciers connus de la personne insolvable une copie de l'avis d'intention de faire une proposition.
6. L'état de l'évolution prévue de l'encaisse a été préparé par la Société pour la période du 16 juillet au 4 septembre 2015 et a été déposé auprès du séquestre officiel en date du 17 juillet 2015, avec le rapport de la personne insolvable et le rapport du Syndic, conformément au paragraphe 50.4(2) de la Loi.

ACTIVITÉS DE LA SOCIÉTÉ

7. Au cours des dernières semaines, la Société, avec l'aide de ses conseillers financiers et de ses conseillers juridiques, a circulé un sommaire relativement à la vente de ses actifs à plus de vingt-sept (27) investisseurs potentiels. De ce groupe, douze (12) investisseurs ont manifesté leur intérêt et ont signé une entente de confidentialité afin d'avoir accès à l'information financière en lien avec l'acquisition potentielle. Après avoir eu accès à la salle des données virtuelle, les investisseurs intéressés avaient jusqu'au 31 juillet 2015, à 17 h, afin de soumettre leur offre. Six (6) offres ont été reçues pour l'ensemble ou certaines parties d'actifs. Relativement à ces offres, Deloitte a demandé de soumettre des offres finales et non conditionnelles avant le 17 août 2015. En plus de ces six (6) offres, deux (2) offres ont été reçues spécifiquement pour les participations détenues par la Société dans Thermos Rive-Nord Inc. (« **Thermos** ») et dans Novy Glass Ltée. L'offre faite par 9309-2286 Québec inc. pour la participation dans Thermos fait l'objet d'un rapport à la Cour afin d'approuver la transaction.
8. Les résultats réels pour la période du 16 juillet au 7 août 2015 sont décrits à l'annexe A du présent rapport. Le solde d'encaisse indique 2 k\$ au 7 août 2015 (incluant les chèques en circulation). Les encaissements, provenant principalement du prêteur intérimaire et d'un créancier garanti, ont totalisé 449 k\$. Les débours, quant à eux, ont inclus principalement les paiements de salaires et déductions à la source de 57 k\$, le paiement d'assurance de 52 k\$, les frais professionnels de 261 k\$, les frais relativement au chef de la restructuration de 42 k\$ et les débours à divers fournisseurs pour des services variés de 35 k\$.
9. Aucun retard important n'a été noté en ce qui a trait au respect des paiements se rapportant aux obligations de la Société pour la période subséquente à la date du dépôt de l'avis d'intention de faire une proposition à ses créanciers.

10. Vous trouverez à l'annexe B, l'état de l'évolution prévue de l'encaisse révisé par la Société pour la période du 8 août au 2 octobre 2015.

PROROGATION

11. La Société a signifié au Syndic son intention de procéder à une requête pour une extension de délai du dépôt de la proposition à ses créanciers, conformément au paragraphe 50.4(9) de la Loi, jusqu'au 27 septembre 2015, afin de lui permettre de poursuivre les négociations avec ses potentiels acheteurs.

RECOMMANDATION

12. Le Syndic est d'avis que les motifs stipulés dans la requête présentée par la Société pour une prorogation jusqu'au 27 septembre 2015 sont raisonnables.

13. Se fondant sur ses discussions avec les représentants de Cover, le Syndic estime que la Société a agi et continue d'agir de bonne foi et avec diligence.

14. Le Syndic est d'avis, et ce, selon les motifs allégués dans la requête, que les créanciers ne subiront pas de préjudices comparativement à la situation existante au moment du dépôt de l'avis d'intention.

FAIT À MONTRÉAL, le 12 août 2015.

RESTRUCTURATION DELOITTE INC.
Syndic agissant dans l'affaire de la proposition de
Industries Cover Inc.



Jean-Christophe Hamel, CPA, CA, CIRP

ANNEXE A

Cover Industries Inc.
Actual versus budgeted cash flow
For the period from July 16 to August 7, 2015

	Budget (000\$)	Actual (000\$)	Favorable (Unfavorable) (000\$)	
Receipts				
DIP financing	390	310	(80)	(Note 1)
Funding from secured creditor	135	135	-	
Other	-	4	4	
	525	449	(76)	
Disbursements				
Key employees's salaries	33	33	-	
Deductions at source	23	24	(1)	
Security	19	16	3	
Hydro-Québec	22	10	12	(Note 2)
Insurance	60	52	8	
Professional fees	236	261	(25)	(Note 3)
Other	15	9	6	
Chief restructuring officer	40	42	(2)	
	448	447	1	
Projected bank balance variation	77	2	(75)	
Bank balance - beginning	-	-	-	
Bank balance - ending	77	2	(75)	(Note 4)

Note 1:

The unfavorable variance is due to lower financing needs than anticipated for the operations as the Company requests cash on a weekly basis to cover only the expected disbursements of the week.

Note 2:

The favorable variance is mainly due to lower than expected payment of the deposit requested by Hydro-Quebec.

Note 3:

The unfavorable variance is mainly due to larger workload than expected from the professionals.

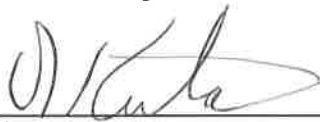
Note 4:

Ending bank balance is lower than budgeted mostly due to lower collection of DIP financing.

ANNEXE B

Cover Industries Inc.
Statement of receipts and disbursements
For the period from August 8, 2015 to October 2, 2015

	Period from 08/08/15 to 10/02/15
	(\$000)
Receipts	
DIP financing and Sale proceeds	607
Other	58
	665
Disbursements	
Key employees's salaries	76
Deductions at source	56
Security	40
Hydro-Québec	22
Professional fees	310
Other	42
Chief restructuring officer	80
	626
Projected bank balance variation	39
Bank balance - beginning	2
Bank balance - ending	41



 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.

August 12, 2015

Deloitte Restructuring Inc.



 Jean-Christophe Hamel, CPA, CA, CIRP
 Trustee

Cover Industries Inc.
Eight-week period projected cash flow

Week ending (C\$)	1 14-Aug	2 21-Aug	3 28-Aug	4 4-Sep	5 11-Sep	6 18-Sep	7 25-Sep	8 2-Oct	Total (8 weeks)
Cash receipts (Note 1)									
DIP financing & Sale proceeds (Note 2)	97	80	85	75	85	60	65	60	607
Other	58	-	-	-	-	-	-	-	58
	155	80	85	75	85	60	65	60	665
Cash disbursements									
Key employees' salaries	19	-	19	-	19	-	19	-	76
Deductions at source	-	14	-	14	-	14	-	14	56
Security	5	5	5	5	5	5	5	5	40
Hydro-Québec	-	-	-	-	22	-	-	-	22
Professional fees	65	50	40	40	40	25	25	25	310
Other	7	5	5	5	5	5	5	5	42
Chief restructuring officer	10	10	10	10	10	10	10	10	80
	106	84	79	74	101	59	64	59	626
Net cash flow	49	(4)	6	1	(16)	1	1	1	39
Cash position - Opening	2	51	47	53	54	38	39	40	2
Cash position - Ending	51	47	53	54	38	39	40	41	41

Note 1:

The above cash flow projection does not assume the closing of the sale of all of the other Company's assets during the period although the Trustee believes that the transaction may happen before October 2nd, 2015 (as the Trustee is not able to estimate the closing date as of the date of this report).

Note 2:

The above cash flow projection assumes collections from DIP financing and from the sale proceeds of the shares of Thermos Rive-Nord of \$607K during the eight-week period ending October 2nd, 2015. It is assumed that the sale proceeds from the sale of the shares of Thermos Rive-Nord will be used to reimburse the outstanding amount owed to the DIP lender as of the time of the closing of the transaction and that any excess sale proceeds will be used to finance the operations during the above eight-week period. Should there also be a need for additional financing during the above eight-week period, the Company would then also be able to reborrow up to a maximum of \$700K of funds under the DIP Facility.

Cover Industries Inc.

NOTES TO THE PROJECTED CASH FLOW STATEMENT

For the period from August 8, 2015 to October 2, 2015

(Unaudited – see the Trustee’s report)

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

The cash flow projection was prepared on August 12, 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 August 8, 2015 to October 2, 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 and Sale proceeds

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. It is assumed that the sale proceeds from the sale of the shares of Thermos Rive-Nord will be used to reimburse the outstanding amount owed to the DIP lender as of the time of the closing of the transaction and that any excess sale proceeds will be used to finance the operations during the period. Should there also be a need for additional financing during the eight-week period, the Company would then also be able to borrow up to a maximum of \$700K of funds under the DIP facility.

Other

Management's estimate based on the expected collection of accounts receivable.

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.

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.

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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 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 **August 12, 2015**, consisting of the period from August 8, 2015 to October 2, 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 12th day
of August, 2015

Cover Industries Inc.



Dave Kuta



Deloitte Restructuring Inc.

Deloitte Tower
1190 avenue des
Canadiens-de-Montréal
Suite 500
Montréal QC H3B 0M7
Canada

Phone: 514-393-7115

Fax: 514-390-4103

www.deloitte.ca

C A N A D A
PROVINCE OF QUEBEC
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DIVISION No.: 01-Montréal
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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 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, 7th Floor
Québec QC G1J 0C4

The attached statement of projected cash flow of Cover Industries Inc., as of the 12th day of August, 2015, consisting of the period beginning on the 8th day of August, 2015 and ending on the 2nd day of October, 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 12th day of
August, 2015.

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



Jean-Christophe Hamel, CPA, CA, CIRP