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C A N A D A
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 a place of
business at 63 chemin Saint-Laurent, Baie-Saint-Paul,
Quebec, G3Z 2L5

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 TO THE COURT SUBMITTED BY DELOITTE RESTRUCTURING INC.
AS TRUSTEE IN THE PROPOSAL OF COVER INDUSTRIES INC. RELATED TO
THE MOTION FOR THE ISSUANCE OF AN ORDER APPROVING THE SALE OF
CERTAIN ASSETS AND A VESTING ORDER**

INTRODUCTION

1. Cover Industries Inc. (“**Cover**” or the “**Company**”) is a corporation initially incorporated under Part 1A of the *Quebec Companies Act*, CQLR, c. C-38, and continued under the *Quebec Business Corporations Act*, CQLR, c. S-31.1.
2. Since its constitution in 1990 and until recently, Cover specialized in the manufacturing of glass products, mainly (but not exclusively) insulated glass units, which are sold to manufacturers of windows (industrial, commercial and residential).

3. Before the sale of almost all of its assets, Cover's head office was located in Saint-Apollinaire and it had three other manufacturing facilities located in Montréal (Anjou), Saint-Agapit, and Baie-Saint-Paul.
4. Cover also held until recently a 51% participation in Thermos Rive-Nord Inc. ("**Thermos**") and holds a 60% participation in Vitrierie Novy Glass Ltd. ("**Novy Glass**"), respectively located in Terrebonne (Quebec) and Shippagan (New Brunswick).
5. Until recently, the Company employed approximately 122 employees in all of its three (3) plants other than the Baie-Saint-Paul plant which has been closed since the month of October 2014.
6. On July 16, 2015, the Company filed a Notice of Intention to Make a Proposal under Subsection 50.4(1) of the *Bankruptcy and Insolvency Act* ("**BIA**"). Deloitte Restructuring Inc. ("**Deloitte**") consented to act as trustee under the proposal for the Company.

PURPOSE OF THIS REPORT

7. As set out further below, the Company negotiated a share purchase agreement ("**SPA**") to sell its total participation in Novy Glass with the most interesting bidder.
8. The purpose of this Trustee's report to the Court (the "**Trustee's Report**") is to:
 - a. inform this Honorable Court with respect to the initial activities of the Trustee since its appointment;
 - b. inform this Honorable Court on the sale process undertaken by the Company initiated by the Company on June 29, 2015;
 - c. report to this Honorable Court on the Company's proposed sale of certain assets.

ACTIVITIES OF THE TRUSTEE SINCE ITS APPOINTMENT

9. On July 17, 2015, the Trustee sent to all of the Company's known creditors a copy of the notice of intention to file a proposal.
10. The projected cash flow statement prepared by the Company for the period from July 16 to September 4, 2015 was filed with the Official Receiver on July 17, 2015, along with a copy of the report of the Insolvent person and a copy of the Trustee's report on the projected cash flow statement, in conformity with Subsection 50.4(2) of the BIA.
11. On July 20, 2015, this Honorable Court granted an Order (the "**Interim Financing Order**") authorizing the borrowing by the Company of interim financing up to an amount of \$700K. The Interim Financing Order also granted an administrative charge of \$100K to the Trustee, the Trustee's legal counsel (if any), and to the Company's legal counsel for any fees and disbursements incurred in relation to current proceedings of the Company.

12. On August 13, 2015, Cover filed a motion for an extension of delay under Subsection 50.4(9) of the BIA. The request was granted by Chantal Flamand, registrar, and the time for filing the proposal was extended for an additional period of 45 days, until September 27, 2015.
13. Also on August 13, 2015, Cover and Deloitte recommended the sale of Cover's shares in Thermos to 9309-2286 Québec Inc. (company controlled by the other co-shareholder of Thermos), and the sale was approved by the Court on the same day. The interim financing was subsequently repaid in full from the proceeds of the sale of Cover's shares in Thermos.
14. On August 26, 2015, Cover and Deloitte recommended the sale of substantially all of its remaining assets (excluding the Baie-Saint-Paul facility and related movable assets and Cover's shares in Novy Glass) to Novatech Group Inc. ("**Novatech**"), and the sale was approved by the Court on the same day. Following the sale of Cover's assets and the legal review of the security of the secured creditors (which were not granted by a Court order) by the Trustee's legal counsel, the secured creditors were repaid in full from the proceeds of the sale of substantially all of Cover's remaining assets.
15. On September 17, 2015, the Court approved the Motion for the establishment of a claims process submitted by Cover and Deloitte. This process was intended to enable Cover to assess and evaluate the quantum of claims before the filing of a proposal. In conformity with the above order, notices (which included proof of claims and instructions to creditors) were sent by Deloitte to all of the known creditors of Cover on September 23, 2015.
16. On September 24, 2015, Cover filed a motion for a second extension of delay under Subsection 50.4(9) of the BIA. The request was granted by Chantal Flamand, registrar, and the time for filing the proposal was extended for an additional period of 45 days, until November 11, 2015.

SALE PROCESS

17. On June 29, 2015, the Company, with the assistance of Deloitte as its financial advisor, started circulating a summary of the investment opportunity to twenty-seven (27) potential interested parties identified by management and Deloitte.
18. Twelve (12) interested parties who responded to the Company and Deloitte were required to sign a non-disclosure agreement ("**NDA**") before being able to access more detailed information about the investment/acquisition opportunity and the Company.
19. Upon signing the NDA, interested parties were given access to a virtual data room containing detailed information about the Company, its assets, its operations, and the investment/acquisition opportunity. The information contained in the virtual data room also included a presentation from management about the Company's operations as well as an information memorandum containing details about the sale procedures, company and asset information, terms and conditions of the sale, in addition to a proposal form.
20. Interested parties were originally given until Friday, July 31, 2015, at 5:00 p.m. (EDT) to submit proposals. Upon expiration of the deadline for the submission of bids, six (6) offers were received by the Company and Deloitte for all or selected assets of Cover. In addition to these bids, upon expiration of the deadline for the submission of bids, two (2) offers were received by the

Company and Deloitte relating to Cover's shares of Thermos and of Novy Glass, respectively. The bidder was 9309-2286 Québec Inc. for Thermos (related to the co-shareholder of Thermos) and, as mentioned above, the sale of Cover's shares in Thermos has since been approved by this Honorable Court on August 13, 2015. The bidders were André Degrace and Maurice Gauvin (co-shareholders of Novy Glass) for Cover's shares in Novy Glass.

21. Following the review of the six (6) offers received for the assets of Cover, Deloitte asked the bidders to submit final, binding and unconditional offers before August 17, 2015.
22. On August 17, 2015, Deloitte received four (4) revised offers for the assets of Cover, two (2) of which were considered as more serious and retained for further clarifications and negotiations. This process resulted in the submission by Novatech, on August 20, 2015, of the Asset Purchase Agreement ("APA") providing for the purchase of substantially all of Cover's remaining assets.
23. On August 21, 2015, considering all the facts below, Stikeman Elliot S.E.N.C.R.L., s.r.l. (the Company's legal counsel) confirmed the approval of the proposed APA to Novatech and, as mentioned above, the sale of substantially all of Cover's remaining assets has since been approved by this Honorable Court on August 26, 2015.

OFFERS RECEIVED

24. As mentioned above, upon expiration of the deadline for the submission of bids, very little interest was received for Cover's shares in Novy Glass and the only offer received was the one from Novy Glass's co-shareholders.
25. Considering all the facts below, Stikeman Elliot S.E.N.C.R.L., s.r.l. (the Company's legal counsel) confirmed to Novy Glass's co-shareholders the acceptance of their offer for Cover's shares in Novy Glass, the whole, subject to the approval of the sale by this Court.
26. The basis for accepting the proposed SPA from Novy Glass's co-shareholders and therefore accepting the sale of Cover's shares in Novy Glass for the purchase price provided for in the SPA is as follows:
 - a. A process to maximize the value of the shares of Novy Glass was conducted by Cover under the supervision of the Trustee where 27 potential investors have been approached;
 - b. The sale process generated limited interest for the shares of Novy Glass (only one offer received);
 - c. It is congruent with Cover's restructuring plan to dispose of all the assets to the benefit of its creditors;
 - d. The purchase price provided for in the SPA is superior to a sale under the bankruptcy of Cover (forced liquidation); and

- e. The sale proceed generated by the contemplated sale of Cover's shares in Novy Glass will increase the dividend that Cover will be able to distribute to its unsecured creditors as part of its upcoming proposal.
- 27. Cover received a deposit (representing the totality of the purchase price provided for in the SPA) from Novy Glass's co-shareholders on August 28, 2015.
- 28. The parties intend to close the transaction contemplated by the Trustee's report as soon as possible, but in any event within two business days following the receipts of the Approval and Vesting Order.

RECOMMENDATIONS

- 29. It is the Trustee's opinion that, for the reasons further elaborated in this report, the transaction of selling the shares of Novy Glass should be approved and the vesting order should be granted by the Court.

DATED AT MONTREAL, this 7th day of
October, 2015.

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



Jean-Christophe Hamel, CPA, CA, CIRP