



**Deloitte Restructuring Inc.**

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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  
288 Laurier Street, Saint-Apollinaire, Quebec,  
G0S 2E0

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

**AMENDED 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 IA 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, Cover has 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. Cover's head office is located in Saint-Apollinaire and the Company has three other manufacturing facilities located in Montréal (Anjou), Saint-Agapit and Baie-Saint-Paul.
4. Cover also holds a 51% participation in Thermos Rive-Nord Inc. ("**Thermos**") and 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 plants other than the Baie-Saint-Paul plant which has been closed since the month of October 2014.
6. On April 17, 2015, all operations of Cover were shut down due to its liquidity crisis and the Company was forced to lay off its remaining employees, either on a permanent or a temporary basis.
7. 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**

8. As set out further below, the Company negotiated a share purchase agreement ("**SPA**") to sell its total participation in Thermos with the most interesting bidder.
9. 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 and 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**

10. 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.
11. 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.
12. 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 the Company's legal counsel for any fees and disbursements incurred in relation to current proceedings of the Company.

## **SALE PROCESS**

13. 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 by Deloitte.
14. 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.
15. 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 sales procedures, company and asset information, terms and conditions of the sales, in addition to a proposal form.
16. Interested parties were given until Friday, July 31, 2015, at 5:00 p.m. (EDT) to submit proposals.

## **OFFERS RECEIVED**

17. 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.
18. Regarding these offers, Deloitte asked the bidders to submit final, binding and unconditional offers before August 17, 2015.
19. 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).
20. On August 3, 2015, Stikeman informed 9309-2286 Québec Inc. of the concerns of Deloitte with respect to its offer and solicited an improved offer. On the same day, 9309-2286 Québec Inc. submitted to Stikeman an improved offer to acquire the shares of Thermos (the “**Improved Offer**”).
21. On August 4, 2015, considering all the facts below, Stikeman confirmed the approval of the Improved Offer.
22. Since the price provided for in the Improved Offer is sensitive and could prejudice the Company should the contemplated sale not be completed, Deloitte chose not to disclose the purchase price provided for in the Improved Offer in this report.

23. The basis for accepting the Improved Offer from 9309-2286 Québec Inc. and therefore accepting the sale of the shares of Thermos for the purchase price provided for in the Improved Offer is as follows:
- a. A process to maximize the value of the shares of Thermos was conducted by Cover under the supervision of the Trustee where 27 potential investors have been approached;
  - b. The sale process generated a limited interest for the shares of Thermos (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 Improved Offer falls in the range of the high level fair market value analysis as at February 28, 2015 (dated April 29, 2015) obtained by the Trustee which is considered fair and reasonable and superior to the consideration that could be received under any acceptable offer submitted within an extended sale process;
  - e. The purchase price provided for in the Improved Offer is superior to a sale under the bankruptcy of Cover (forced liquidation); and
  - f. The proceeds of the sale will allow Cover to finance its operation while attempting to conclude the ongoing sale process of all of its assets.
24. It is the Trustee's opinion that, for the reasons further elaborated in this report, the transaction of selling the shares of Thermos should be approved and the vesting order should be granted by the Court.

## **CLOSING**

25. The parties intend to close the transaction contemplated by the Trustee's report within one business day following receipt of the Approval and Vesting Order.

DATED AT MONTREAL, this 12<sup>th</sup> day of  
August 2015.

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



Jean-Christophe Hamel, CPA, CA, CIRP