



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

**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 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 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 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 an Asset Purchase Agreement (the "**APA**") to sell substantially all of its remaining assets (excluding the Baie-Saint-Paul facility and related movable assets and Cover's shares in Novy Glass) (the "**Purchased Assets**") to Novatech Group Inc. ("**Novatech**").
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 substantially all of its remaining 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 Make 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.
13. 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.
14. 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.

SALE PROCESS

15. 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.
16. 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.
17. 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.
18. 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.
19. 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.

OFFERS RECEIVED

20. 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.
21. This process resulted in the submission by Novatech, on August 20, 2015, of the APA providing for the purchase of the Purchased Assets.
22. 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.
23. Since the price provided for in the APA 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 APA in this report.
24. The basis for accepting the proposed APA from Novatech and therefore accepting the sale of substantially all of Cover's assets for the purchase price provided for in the APA is as follows:
 - a. A process to maximize the value of Cover's assets was conducted by Cover under the supervision of the Trustee where twenty-seven (27) potential investors have been approached. Novatech's APA represents the best transaction with certainty of closure that could be obtained.
 - b. The contemplated sale will enable a restart of the operations and the preservation of several employments at Cover's three plants located in Anjou, Saint-Apollinaire, and Saint-Agapit.
 - c. The contemplated sale will allow for the full repayment of all of the Company's secured creditors and will also allow for the financing of a proposal to the Company's unsecured creditors.
 - d. The purchase price provided for in the Improved Offer is superior to a sale under the bankruptcy of Cover (forced liquidation).
25. It is the Trustee's opinion that, for the reasons further elaborated in this report, the transaction of selling substantially all of Cover's assets should be approved and the vesting order should be granted by the Court.

CLOSING

26. As required by the APA, the Trustee received a 5% deposit from Novatech on August 21, 2015.
27. The parties intend to close the transaction contemplated by the Trustee's report the third business day after the date on which the Approval and Vesting Order has become a Final Order.

DATED AT MONTREAL, this 25th day of
August, 2015.

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

A handwritten signature in black ink, appearing to read 'J. Hamel', is written over the printed name below.

Jean-Christophe Hamel, CPA, CA, CIRP