

**Cover-All Holding Corp., Cover-All Buildings Systems Inc., Cover-All U.S. Holding Corp., Summit Structures, LLC, Quick Structures LLC, Cover-All Holdings U.S., LLC, Summit Structures U.S., LLC, Summit Project Management, LLC, Eastern Cover-All, Inc., NorthStar Cover-All, LLC, NorthStar Cover-All, Inc., Summit Structures Limited**

**SECOND REPORT OF THE RECEIVER**

**July 30, 2010**

**Action No. 1001-05915**

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS  
AMENDED;

AND IN THE MATTER OF THE JUDICATURE ACT, R.S.A. 2000, c. J-2, AS AMENDED;

AND IN THE MATTER OF THE RECEIVERSHIP OF COVER-ALL HOLDING CORP.,  
COVER-ALL BUILDING SYSTEMS INC. COVER-ALL U.S. HOLDING CORP., SUMMIT  
STRUCTURES, LLC, QUICK STRUCTURES LLC, COVER-ALL HOLDINGS U.S., LLC,  
SUMMIT STRUCTURES U.S., LLC, SUMMIT PROJECT MANAGEMENT, LLC, EASTERN  
COVER-ALL, INC., NORTHSTAR COVER-ALL, LLC, NORTHSTAR COVER-ALL, INC.  
AND SUMMIT STRUCTURES LIMITED

BETWEEN:

CANADIAN IMPERIAL BANK OF COMMERCE  
as administrative agent

Applicant

-and-

COVER-ALL HOLDING CORP., COVER-ALL BUILDING SYSTEMS INC. COVER-ALL  
U.S. HOLDING CORP., SUMMIT STRUCTURES, LLC, QUICK STRUCTURES LLC,  
COVER-ALL HOLDINGS U.S., LLC, SUMMIT STRUCTURES U.S., LLC, SUMMIT  
PROJECT MANAGEMENT, LLC, EASTERN COVER-ALL, INC., NORTHSTAR COVER-  
ALL, LLC, NORTHSTAR COVER-ALL, INC. AND SUMMIT STRUCTURES LIMITED

Respondents

**SECOND REPORT OF PRICEWATERHOUSECOOPERS INC.  
AS RECEIVER  
OF THE COVER-ALL GROUP OF COMPANIES**

**JULY 30, 2010**

**INTRODUCTION**

1. Cover-All Holding Corp. ("**Holdco**"), Cover-All Buildings Systems Inc. ("**CBSI**"), Cover-All U.S. Holding Corp., Summit Structures, LLC ("**Summit LLC**"), Quick Structures LLC, Cover-All Holdings U.S., LLC, Summit Structures U.S., LLC, Summit Project Management, LLC, Eastern Cover-All, Inc., NorthStar Cover-All, LLC, NorthStar Cover-All, Inc. and Summit Structures Limited (collectively "**Cover-All**", the "**Cover-All Group of Companies**" or the "**Company**") were subject to a proceeding under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), pursuant to an order of the Honourable Mr. Justice LoVecchio granted on March 24, 2010 (the "**Initial Order**"), in Action No. 1001-04270, and referred to herein as the "**CCAA Proceedings**". Ernst & Young Inc. was appointed as monitor of Cover-All (the "**Monitor**") in the CCAA Proceedings.
2. By order of the Honourable Mr. Justice LoVecchio (the "**Receivership Order**") dated April 23, 2010, (the "**Date of Appointment**"), upon an application brought by the Canadian Imperial Bank of Commerce ("**CIBC**" or the "**Bank**"), as administrative agent for a lending syndicate to the Company including CIBC, The Bank of Nova Scotia ("**BNS**") and Roynat Capital Inc. ("**Roynat**") (collectively the "**Lenders**"), PricewaterhouseCoopers Inc. ("**PwC**") was appointed receiver (the "**Receiver**"), pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 13(2) of the *Judicature Act*, R.S.A. 2000, c. J-2, as amended (the "**Judicature Act**"), without security over all the assets, undertakings and property (the "**Property**") of the Company. The period subsequent to the Date of Appointment is referred to herein as the "**Receivership Proceedings**".
3. Also, on April 23, 2010, upon an application brought by the Company, the CCAA Proceedings were terminated by order of the Honourable Mr. Justice LoVecchio (the "**CCAA Termination Order**").

4. This Second Report should be read in conjunction with the Receiver's first report dated June 7, 2010 (the "**First Report**"). A copy of the First Report without Exhibits is attached hereto as **Appendix "A"**.

#### **RESTRICTIONS**

5. Certain information contained in this report is based on information obtained from the Company's books and records and discussions with former management and staff. The Receiver has not independently verified the accuracy or completeness of such information; accordingly the Receiver does not express an opinion thereon.
6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not defined herein are as defined in the Receivership Order.

#### **PURPOSE OF THE REPORT**

7. The purpose of this report is to provide this Honourable Court with an update on the Receivership Proceedings, and to seek an order of this Honourable Court;
  - i) Approving a distribution to CIBC of \$11,250,000 (the "**Lenders' Distribution**");
  - ii) Authorizing the Receiver to make the Future Distributions, as hereinafter defined;
  - iii) Approving a distribution of \$128,419 (the "**Property Tax Distribution**") to the City of Saskatoon;
  - iv) Authorizing the Receiver to fund the fees and expenses of the Trustee (as defined below) in an amount not to exceed \$20,000 without further order of this Court; and
  - v) Approving the activities of the Receiver as set out in this Second Report including the Receiver's Statement of Cash Receipts and Disbursements.

## RECEIVER'S ACTIVITIES SINCE THE DATE OF THE FIRST REPORT

### COMPLETION OF THE SALES TRANSACTION

8. Following the approval of the Sales Transaction (as defined in the First Report) by this Honourable Court on June 11, 2010, the Receiver closed the transaction with Norseman Structures Inc. ("**Norseman**") on June 21, 2010 (the "**Closing Date**"), including, among other things:
- i) Executing and delivering all closing documents;
  - ii) Receipt of consideration of \$13,950,000, comprised of:
    - a) cash in the amount of \$9,950,000 (including the initial deposit); and
    - b) a three year promissory note in the amount of \$4,000,000 (the "**Promissory Note**") and demand debenture secured by the land and buildings located at 3815 Wanuskewin Rd, Saskatoon, Saskatchewan (the "**Land and Buildings**").
  - iii) Confirmation of registration of the demand debenture security over the Land and Buildings with the Province of Saskatchewan Land Titles Registry.
9. The Asset Purchase Agreement with Norseman (the "**APA**") included a provision that Norseman will collect the Company's accounts receivable and remit a portion of the net proceeds there from to the Receiver, including a requirement for Norseman to report to the Receiver on a regular basis with respect to the status of such collections. To date, Norseman has collected USD\$115,438 and has accordingly remitted USD\$57,719 to the Receiver. The Receiver will continue to work with Norseman to collect the outstanding accounts receivable.

### TERMINATION OF AGREEMENTS

10. The Receiver reviewed equipment leases that the Company had entered into, other than a lease that was included in the Sales Transaction, to determine whether leases may have equity potentially available to the Receiver. As a result of its analysis, the Receiver

determined that the leases reviewed had little or no equity and, accordingly, pursuant to the authority granted in paragraph 3(c) of the Receivership Order, on June 23, 2010 the Receiver terminated all leases of the Company, except those leases with First National (as defined below), and informed the lessors of their ability to recover the leased asset.

11. Following the Closing Date, on June 24, 2010 the Receiver provided notice, pursuant to paragraph 3(c) of the Receivership Order, to all the Company's utility and service providers (the "**Utilities**") terminating the respective service agreements effective immediately. The Receiver is currently working with the Utilities to determine the amount of the Company's obligation for services provided during the Receivership Proceedings.
12. Following its appointment, the Receiver made monthly lease payments for the premises leased by the Company, all of which were corporate dealership locations (the "**Leased Premises**"). Subsequent to the Closing Date, and pursuant to paragraph 3(c) of the Receivership Order, on June 30, 2010, the Receiver notified the landlords of the Leased Premises of the termination of the lease agreements with immediate effect. All amounts invoiced for occupation rent for the Leased Premises were paid current to the date of the termination.
13. As discussed in paragraph 13 of the First Report, an amount of approximately US \$70,000 is being held in a bank account at The First National Bank of Cold Spring, in Cold Spring, Minnesota ("**First National**"). First National is claiming a right of set off against certain lease payments owing to it in respect of leases entered into by NorthStar Cover-All, Inc. The Receiver, with the assistance of its U.S. counsel, is currently in discussions with First National to negotiate a settlement with respect to the release of these funds.

#### **INSURANCE**

14. As noted in the First Report, Marsh Canada Limited ("**Marsh**"), the Company's insurance broker, advised the Receiver that, in the event insurance coverage is terminated prior to its expiry, a refund of unearned premiums (the "**Unearned Premiums**") may be available, subject to the specific terms of each individual insurance contract.

15. On June 17, 2010, the Receiver and Macquarie Premium Funding Inc. (**“Macquarie”**), who had financed the Company’s annual insurance premiums pursuant to two separate premium installment contracts (the **“PICs”**), entered into an agreement (the **“Macquarie Agreement”**) that, among other things, provided that any refund of Unearned Premiums, as a result of the cancellation or termination of any or all of the policies, will be paid to the Receiver, to be held by the Receiver until an agreement is reached between Macquarie and the Receiver in respect thereof, or pursuant to an order of this Honourable Court, with respect to the entitlement thereto.
16. During the Receivership Proceedings, the Receiver became aware of several parties who wished to assert claims in respect of the Company’s insurance policies, primarily in respect of claims for damages in respect of proceedings that had been commenced against the Company. As a result of the potential for further product liability-related claims against the Company and its insurers, out of an abundance of caution, the Receiver provided Marsh with a list of independent dealers and customers (according to the Company’s books and records) (the **“Potential Claimants”**), and requested that Marsh advise the Company’s insurers of the possibility of future claims that may be made by Potential Claimants or other parties.
17. Following the Closing Date, as the Company and the Receiver no longer required the benefit of the Company’s insurance coverage, the Receiver advised Macquarie that it no longer required the Company insurance and, on July 27, 2010, Macquarie terminated the insurance on the Company’s behalf. Macquarie provided the Receiver with a copy of the correspondence, confirming the termination of the Company’s insurance coverage, which included a direction for Marsh to pay the Unearned Premiums, if any, to the Receiver, as contemplated in the Macquarie Agreement.

#### **TRAVELERS GUARANTEE COMPANY OF CANADA**

18. As discussed further in paragraphs 32 and 33 of the First Report, Travelers Guarantee Company of Canada (**“Travelers”**) provided bonding to customers in respect of various Cover-All projects (the **“Bonded Projects”**). Travelers have requested that the Receiver provide it with extensive information in respect of a number of the Bonded Projects. The

Receiver has attempted to comply with Travelers requests; to the extent information was available from the Company's books and records. Following the completion of the Sales Transaction, the Receiver directed Travelers, with Norseman's consent, to work directly with Norseman to obtain such additional information from the Company's books and records. The Receiver understands that, at this time, Travelers has a number of unsatisfied information requests. The Receiver is working with Norseman and Travelers to attempt to satisfy Travelers' requests for further information.

#### **THE LIFT STAY ORDERS**

19. As further discussed in paragraphs 28 to 31 of the First Report, various plaintiffs in ongoing litigation with the Company have requested a lifting of the stay of proceedings, in order to pursue their respective claims against the Company, with any judgments obtained there from only being enforceable against insurance proceeds that may be available to the Company. At the date of the First Report, this Court had granted, at various times, three such orders (the "**Initial Lift Stay Orders**").
20. Subsequent to the date of the First Report, the Receiver received additional requests to lift the stay of proceedings from Chris Hall, Jamar Hunt, Greg Gaither, (collectively the "**Texas Applicants**") and The County of Crawford, Pennsylvania, for the purpose of continuing their respective claims against CBSI and/or Summit LLC, with any judgments obtained there from only being enforceable against insurance proceeds available to CBSI and / or Summit LLC (the "**Subsequent Lift Stay Orders**"). The Receiver reviewed and agreed to the form of the Subsequent Lift Stay Orders, which were issued by this Honourable Court for the Texas Applicants on June 14, 2010 and The County of Crawford, Pennsylvania on July 22, 2010, and which include similar terms as those included in the Initial Lift Stay Orders.

#### **ASSIGNMENT IN BANKRUPTCY OF CBSI**

21. On July 22, 2010, pursuant to the Receiver's powers under paragraph 3(s) of the Receivership Order, the Receiver made an assignment in bankruptcy of CBSI, the main operating business of the Cover-All Group of Companies, which owned the overwhelming majority of the Property and which had virtually all of the Company's



liabilities, in order to reverse certain priorities arising under federal and provincial legislation and to provide for an orderly wind-up of the CBSI's affairs.

22. PwC is acting as the trustee in bankruptcy of the estate of CBSI (the "**Trustee**"), pending confirmation at the first meeting of creditors, which is scheduled to be held at the offices of PwC at 111-5<sup>th</sup> Avenue SW, Calgary Alberta at 10:00AM Mountain Standard Time on August 12, 2010 (the "**First Meeting of Creditors**").
23. On July 26, 2010, pursuant to the requirements of section 102(1) of the BIA, the Trustee provided every known creditor of CBSI with notice of CBSI's bankruptcy and of the First Meeting of Creditors.
24. It is anticipated that there will be no funds in the bankrupt estate of the Company to pay the costs and expenses of the Trustee. Accordingly, the Receiver is seeking approval of this Honourable Court, to the extent there are insufficient funds in the bankrupt estate, to fund the costs and expenses of the Trustee fees which are currently estimated at \$20,000. The Receiver is advised that the Lenders do not oppose the Receiver guaranteeing the Trustee's fees as described herein.
25. In addition, the Receiver will make arrangements with the Trustee to assist with the administration and payment of any valid 81.3 Claims (as defined below).

#### **EMPLOYEES**

26. For those employees who were terminated during the Receivership Proceedings (the "**Remaining Employees**"), the Receiver completed the calculation of amounts that they are entitled to pursuant to, and as required by, the *Wage Earner Protection Program Act* ("**WEPPA**"), according to information available to the Receiver from the Company's books and records. On June 28, 2010, the Receiver sent a package of information to the Remaining Employees, which included:

- i) A notice advising of their rights under WEPPA;

- ii) A schedule setting out the amount of that Remaining Employee's claim pursuant to WEPPA, calculated by the Receiver based on information available from the Company's books and records;
- iii) A copy of the WEPPA application guide; and
- iv) A proof of claim form.

As previously discussed in paragraph 20 of the First Report, the Receiver provided the above noted information to the Former Employees (as defined therein) on May 21, 2010.

27. As a result of CBSI's bankruptcy, the Remaining Employees and the Former Employees (collectively the "**Employees**"), are entitled to secured claims under either section 81.3 or section 81.4 of the BIA ("**81.3 Claims**" or "**81.4 Claims**" respectively). The Receiver has analyzed the 81.3 Claims and the 81.4 Claims and has determined that though virtually the same, Employees' claims are maximized under s. 81.3 of the BIA. The Receiver will complete the administration of both the 81.3 Claims and the 81.4 Claims, including the obligations of both the Receiver and the Trustee under WEPPA, to avoid any duplication of effort as between the Receiver and the Trustee.
28. The Receiver has reviewed the 81.3 Claims and the 81.4 Claims on an employee-by-employee basis and has determined that the 81.3 Claims are, in all cases, equal to or greater than the 81.4 Claims for each such employee. The Receiver currently estimates that the 81.3 Claims total approximately \$162,963, of which claims of \$121,342 have been filed with the Receiver.
29. The 81.3 Claims are secured by a charge over the Company's current assets, as defined in the BIA (the "**81.3 Charge**"). As discussed in paragraph 23 of the First Report, the Receiver took possession of approximately \$310,000 in cash in various bank accounts held by the Company. In addition, the Receiver has realized approximately \$605,000 in respect of the collection of accounts receivable up to and including July 23, 2010. Accordingly, there are sufficient current assets to satisfy the estimated 81.3 Charge.

## THE ALLIED CLAIM

30. As discussed in paragraphs 63 to 74 of the First Report, Allied supplied galvanized steel tubing to CBSI, pursuant to an agreement dated December 4, 2008, which purports to consign goods to CBSI (the “**Allied Agreement**”). Osler Hoskin & Harcourt LLP (“**Osler**”) has reviewed the Allied Agreement and, based on such review, the Receiver has taken the position the Allied Agreement is not a valid consignment agreement. However, it appears that Allied took the appropriate steps to establish a valid purchase-money security interest (the “**Allied PMSI**”) under the *Personal Property Security Act, 1993* (Saskatchewan) (the “**Saskatchewan PPSA**”), which would rank ahead of the Lenders’ security interest in respect of the goods subject to the Allied PMSI (the “**Allied PMSI Goods**”).
31. As discussed in paragraphs 69 to 73 of the First Report, if the Allied PMSI Goods had been sold by the Receiver, as opposed to Allied taking possession of its collateral, realizations there from would be subject to the prior ranking CCAA Charges and the 81.3 Charge, in the same way that realizations in respect of the rest of the Property are. The Receiver estimates this liability to be approximately \$100,000. The Receiver has held numerous discussions with McMillan, Allied's counsel and, as a result of the increased cost and uncertainty regarding the outcome of any litigation of this matter for either party, on July 23, 2010, the Receiver and McMillan signed an agreement (the “**Allied Settlement**”) whereby, *inter alia*:
- i) The Receiver will release to Allied the Allied PMSI Goods, and will cooperate with Allied in their taking possession of the same;
  - ii) Allied will pay \$50,000 in full and final satisfaction of any and all claims which the Receiver has or may have against Allied or the Allied PMSI Goods; and
  - iii) Allied agrees that, save and except for the Allied PMSI Goods, Allied has no further claim against the estate of CBSI or the Receiver.
32. The Receiver is of the view that the Allied Settlement is fair and reasonable in the circumstances as it provides for a contribution towards the CCAA Charges and the 81.3

Charge (as defined below) and allows for the settlement of the potential claims between Allied and the Company without litigation.

#### **THE INTERTAPE CLAIM**

33. As discussed in paragraphs 75 to 87 of the First Report, Intertape supplied fabric covers to CBSI. As at the Date of Appointment, the value of the goods delivered by Intertape to Cover-All and in the Company's possession, was approximately \$925,000 of book value. Of this amount, the Receiver determined that Cover-All had purchased approximately \$410,000. The remainder of unpaid goods, with a book value of approximately \$515,000 (the **"Intertape Goods"**) are the subject of Intertape's claim (the **"Intertape Claim"**).
34. The Receiver has had ongoing discussions with Heenan Blaikie LLP (**"Heenan"**), Intertape's counsel, in order to resolve the Intertape Claim, including, *inter alia*, reviewing of certain security registrations made under prior agreements. The Receiver is currently working with Heenan to finalize a settlement in this respect, which the Receiver anticipates will be concluded shortly.

## RECEIVER'S STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

35. The Receiver's statement of cash receipts and disbursements for the period from April 23, 2010 to July 23, 2010 is summarized as follows:

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS For the Period from April 23, 2010 to July 23, 2010	
	\$
<b>Receipts:</b>	
Cash on Hand	310,158
Collection of Pre Accounts Receivable	605,359
Sale of Assets	9,950,211
Miscellaneous Receipts	21,665
<b>Total Receipts</b>	<b>10,887,393</b>
<b>Disbursements:</b>	
Professional Fees - CCAA Administration Charge	381,940
Legal and Professional Fees - Receivership Proceedings	1,023,973
Payroll	584,974
Insurance	168,195
Rent	26,412
Other	26,597
<b>Total Disbursements</b>	<b>2,212,092</b>
Foreign Exchange Gain (Loss)	8,073
<b>Excess of Receipts over Disbursements</b>	<b>8,683,374</b>
Receiver's Borrowings	500,000
<b>Cash on Hand</b>	<b>9,183,374</b>

36. Pursuant to paragraph 20 of the Receivership Order, the Receiver was authorized to borrow up to \$1 million, if required, of additional funding (the "**Receiver's Borrowings**") for the purpose of funding the exercise of its powers and duties conferred upon it under the terms of the Receivership Order. To date, the Receiver's Borrowings have totaled \$500,000.
37. The Receiver respectfully requests that this Honourable Court approve the Receiver's statement of cash receipts and disbursements.

## REQUEST FOR APPROVAL OF THE LENDERS' DISTRIBUTION AND THE PROPERTY TAX DISTRIBUTION

### OBLIGATIONS TO LENDERS

38. Details of the Company's obligations to the Lenders are set out in the affidavit of John McMurray sworn April 20, 2010, (the "**McMurray Affidavit**") filed in support of the Lender's application for the termination of the CCAA Proceedings and the appointment of the Receiver. A copy of the McMurray Affidavit, without Exhibits, is attached hereto as **Appendix "B"**.
39. In summary, the Company's obligations to the Lenders are governed by the following agreements and other documents (collectively, the "**Credit Agreements**"):
- i) A Senior Credit Agreement dated October 23, 2007 between CBSI and CIBC and BNS, which provides for:
    - a) a term loan in the principal amount of \$40,000,000;
    - b) a revolving loan in the maximum aggregate principal amount not to exceed \$10,000,000; and
    - c) operating loans in the maximum aggregate principal amount at any time outstanding not to exceed \$4,000,000.
  - ii) A Subordinate Credit Agreement dated October 23, 2007 between CBSI and CIBC and Roynat, in the principal amount of \$15,000,000.

The principal amount owing under the Senior Credit Agreement as of April 20, 2010 is approximately \$40,820,000. The principal amount owing under the Subordinate Credit Agreement as of April 20, 2010 is approximately \$15,000,000.

40. In addition to the obligations of CBSI under the Credit Agreements, the other entities within the Cover-All Group of Companies and Cover-All Europe GmbH are guarantors of CBSI's obligations under the Credit Agreements (the "**Guarantors**"). Pursuant to various security agreements, mortgages and pledge agreements, the Guarantors have

granted a security interest to CIBC, as administrative agent for the Lenders, over all of their respective assets to secure CBSI's obligations under the Credit Agreements (the "**CIBC Security**").

41. As summarized in the McMurray Affidavit, the Lenders total claim against the Company as at April 20, 2010 is approximately \$55,820,000, excluding interest and costs.

#### **SECURITY OPINION**

42. The Receiver has obtained independent legal opinions of the validity and enforceability of the CIBC Security in the jurisdictions in which either the Company's business and assets were located or the Company's head offices were registered (the "**Security Opinions**").
43. Osler has provided the Receiver with its opinion on the validity and enforceability of the CIBC Security in Alberta and Ontario. Subject to the customary qualifications and limitations, it is Osler's opinion that CIBC, as administrative agent for the Lenders, has a valid and enforceable security interest in CBSI's Property situate in the provinces of Alberta and Ontario.
44. In addition, the Receiver retained Kanuka Thuringer LLP ("**Kanuka**") and Cox & Palmer ("**Cox**") as agents in the provinces of Saskatchewan and Nova Scotia, respectively, to review the validity and enforceability of the CIBC Security in those provinces. Subject to the customary qualifications and limitations:
  - i) Kanuka expressed an opinion that the security granted to CIBC, as administrative agent for the Lenders, over the real property, personal property, assets and undertakings of CBSI and Holdings, situate in Saskatchewan, is valid and enforceable; and
  - ii) Cox expressed an opinion that the security granted to CIBC, as administrative agent for the Lenders, over the personal property, assets and undertakings of Holdings, situate in Nova Scotia, is valid and enforceable.

45. As noted in the First Report, CBSI is the main operating entity of the Cover-All Group of Companies, and appears to own all of the Property of the Company located in Canada. However, companies within the Cover-All Group of Companies located in the United States, also owned finished goods inventory and equipment, albeit, of *de minimis* value. These entities include:
- i) Cover-All Holdings U.S., LLC (“**Midwest**”), registered in the Commonwealth of Pennsylvania, and whose assets are located in Iowa;
  - ii) NorthStar Cover-All, LLC (“**NorthStar**”), registered in the State of Delaware, and whose assets are located in Minnesota; and
  - iii) Eastern Cover-All, Inc. (“**Eastern**”), registered in the State of New York, and whose assets are located in Pennsylvania
- (collectively the “**US Entities**”).
46. The Receiver engaged Winston & Strawn LLP (“**Winston**”) as counsel in the United States, to obtain an independent opinion of the Lenders’ Security over the assets of the US Entities (the “**US Opinion**”). The Receiver has reviewed the US Opinion which confirms that CIBC, as administrative agent for the Lenders, was registered “first-in-time” in all jurisdictions where the US Entities were registered, with the exception of an earlier registration by First National over certain of the NorthStar assets. As discussed in paragraph 13 above, the Receiver is currently in negotiations with First National to resolve its claim for set-off against approximately \$70,000 in cash it is currently holding that is the property of NorthStar.
47. As a result of the security opinions obtained by the Receiver, the Receiver is of the view that the Lenders hold valid and enforceable security over the Property.

#### **PRIORITY**

48. The Lenders’ security interests in the Property are subject to prior charges or security interests, which may include:



- i) The CCAA Charges, including the Property Tax Claim (as hereinafter defined);
- ii) The Allied PMSI;
- iii) The Receiver's Charge;
- iv) The Receiver's Borrowing Charge;
- v) The 81.3 Charge and / or the 81.4 Charge; and
- vi) The security of any other secured party who may have perfected a security interest in the Property prior to the Lenders.

49. The results of the Receiver's review of the potential prior charges and security interests is summarized as follows:

#### **CCAA CHARGES**

50. Certain charges were created pursuant to the Initial Order, which the CCAA Termination Order expressly provided would continue until any and all obligations in respect thereof were satisfied (the "**CCAA Charges**"). The CCAA Charges include:

- i) The Applicants' Advisors Administration Charge in the maximum amount of \$500,000 and the Lenders' Advisors Administration Charge of \$200,000 on a *pari passu* basis as between them; and
- ii) The Directors' Charge to the maximum of \$500,000.

51. Pursuant to paragraph 11 of the CCAA Termination Order, the Monitor provided the Receiver with the Outstanding Charged Obligations Schedule, which indicated that the only amounts the Monitor was aware of being outstanding in respect of the CCAA Charges were in respect of the Applicants' Advisors Administration Charge. Amounts outstanding in respect of the Lenders' Advisors Administration Charge have been paid by the Receiver. As discussed in paragraphs 54 to 58 of the First Report, the Receiver has paid all amounts outstanding under the Applicants' Advisors Administration Charge and no further amounts remain outstanding in respect of this charge. On July 19, 2010 the

Monitor issued a Monitor's Certificate, certifying that there are no outstanding claims under the CCAA Charges. A copy of the Monitor's Certificate is attached hereto as **Appendix "C"**.

52. In addition to receiving the Monitor's Certificate, the Receiver undertook an independent review of claims which may be secured by the Directors' Charge, as defined in paragraph 22 of the Initial Order. The Receiver's review in this respect is summarized as follows:

**Deductions at source**

53. With respect to deductions at source, the Receiver has:
- i) Reviewed the payroll records of the Company and has confirmed that all "wages" (as defined in the BIA) owing to the Employees have been paid or have been included in the Receiver's reserve for the payment of 81.3 Claims, as described in this Second Report;
  - ii) Contacted Nathan Stobbe, the Company's former Chief Executive Officer and Todd Payne, the Company's former Chief Financial Officer, both of whom were directors of various of the Cover-All companies during the CCAA Proceedings and who resigned on April 22, 2010, on the eve of the Receivership Proceedings, and who were knowledgeable with respect to Cover-All's activities during the CCAA Proceedings. Messrs. Stobbe and Payne have confirmed to the Receiver, in writing, that, to the best of their knowledge, all source deductions, GST and other sales taxes incurred during the CCAA Proceedings have been paid; and
  - iii) Worked with the Canada Revenue Agency ("**CRA**") in connection with CRA's review of the Company's source deduction accounts. CRA provided the Receiver with its "Examiner's Statement of Account" on May 31, 2010 and June 2, 2010, indicating that the CBSI, the only Canadian Cover-All entity with employees, has a credit balance of approximately \$11,000 in respect of deductions for withholdings at source. During the Receivership Proceeding, the Receiver remitted, or is withholding funds for remittance, of all required source deductions for employment withholdings;

## **GST**

54. Other than the sale of substantially all of the Property to Norseman, the Company did not actively sell inventory, in the “normal course” during the Receivership Proceedings and, therefore, did not incur any obligations to collect GST, other than in respect of the sale of Property to Norseman.
55. Paragraph 3.6(a) of the APA provided that, should Norseman and the Receiver not make a joint election under section 167 of the *Excise Tax Act* (“**ETA**”), it is responsible for payment of the GST and other sales taxes owing on the Sales Transaction. The Receiver and Norseman have agreed to make such election.
56. Accordingly, the Receiver is not aware of any outstanding GST obligations in respect of the Receivership Proceedings.

## **Municipal Taxes**

57. An amount of \$128,419 remains owing to the City of Saskatoon in respect of Education Property Taxes and Municipal Property Taxes (the “**Property Tax Claim**”) for 2010, which amount represents the total amount owing to the City, calculated on a per-diem basis, up to the Date of Closing of the Norseman Transaction. The Receiver has reserved sufficient funds to pay the Property Tax Claim.
58. Having reviewed the definition of the CCAA Charges in the Initial Order, based on its review of amounts that may be owing thereon, and the receipt of the Monitor’s Certificate, the Receiver is of the view that no amounts remain outstanding in respect of the CCAA Charges, other than amounts that the Receiver has made a reserve for or is otherwise seeking the approval of this Honourable Court to pay. Notwithstanding the forgoing, the Receiver has also instructed Osler to serve this Second Report and notice of the Receiver’s motion seeking the relief summarized herein, on the former directors and officers of the Company, who held office during the CCAA Proceedings.

#### **THE ALLIED PMSI**

59. As set out in this Second Report, the Receiver and Allied have agreed to settle any outstanding claims the Company and Allied may have against one another by entering into the Allied Settlement. Accordingly, the Receiver is of the view that Allied has no other claims in priority to CIBC, as administrative agent to the Lenders, as a result of Allied Settlement.

#### **THE RECEIVER'S CHARGE**

60. The Receiver's Charge secures the payment of the fees and disbursements of the Receiver and those of its legal counsel. The Receiver has either paid or accrued for the payment of its fees and disbursements and those of its legal counsel, for the period up to the date of this Second Report, which amounts are included in the Receiver's Statement of Cash Receipts and Disbursements or the Receiver's reserve for "accrued costs", described below. Accordingly, the Receiver is of the view that it is holding adequate reserves to satisfy the Receiver's Charge.

#### **THE RECEIVER'S BORROWING CHARGE**

61. In connection with the Receiver's application for the Lenders' Distribution, the Receiver will also be repaying the Receiver's Borrowings, which totaled \$500,000. Once repaid, no amounts will remain outstanding in respect of the Receiver's Borrowing Charge.

#### **THE 81.3 CHARGE**

62. As described in this Second Report, the Receiver is maintaining a reserve of approximately \$163,000 in respect of the 81.3 Claims. Accordingly, the Receiver is maintaining a sufficient reserve to satisfy the 81.3 Charge, which is in priority to the CIBC Security.

#### **OTHER SECURED PARTIES**

63. The Receiver and Osler have reviewed registrations under the *Personal Property Security Acts* in Alberta, Ontario, Saskatchewan and Nova Scotia (the "**Canadian PPSA Review**") and the Receiver and Winston have reviewed registrations under the *Uniform*

*Commercial Codes* in Delaware, New York and Pennsylvania, where the US Entities' head offices are located (the "U.S. UCC Review").

64. The following summarizes the results of the Canadian PPSA Review:

- i) CIBC is the only party registered in Alberta against CBSI. There are no other registrations against any other of the Cover-All Group of Companies in Alberta;
- ii) CIBC is the only party registered in Nova Scotia against Holdings. There are no other registrations against any other of the Cover-All Group of Companies in Nova Scotia;
- iii) CIBC is registered first-in-time against CBSI in Ontario. Travelers have registered financing statements in Ontario against Eastern Cover-All Inc., Summit Structures U.S. LLC, Summit Structures LLC, and Summit Project Management LLC (collectively the "**Canadian Registered U.S. Entities**"). However, based on a review of the Company's books and records, it does not appear that the Canadian Registered U.S. Entities have any assets in Ontario;
- iv) In respect of its review of financing statements registered pursuant to the *Personal Property Security Act, 1993* in Saskatchewan, the Receiver's findings are as follows:
  - a) CIBC is the only party registered against Holdings;
  - b) Travelers have registered financing statements in Saskatchewan against the Canadian Registered U.S. Entities. However, based on a review of the Company's books and records, it does not appear that the Canadian Registered U.S. Entities have any assets in Saskatchewan;
  - c) Registrations made prior to CIBC's registrations against CBSI in respect of certain assets were noted by the Receiver during the course of its review. However, after further investigation, the Receiver has determined that such registrations appear to be in respect of assets leased by CBSI, for which the Receiver has disclaimed the Company's right,

title and interest in and thereto, or property which is not included as a Purchased Asset (as defined in the Norseman Transaction) and, therefore, which does not form part of the Receiver's realizations that is subject to the Lenders' Distribution.

65. The following summarizes the results of the U.S. UCC Review:

- i) As described above, pursuant to the US Opinion, CIBC, as administrative agent for the Lenders, was registered "first-in-time" in respect of the US Entities in Delaware, New York and Pennsylvania;
- ii) Travelers filed a financing statement in 2010, subsequent to the registration of the CIBC Security, in respect of Eastern. The Receiver is advised by Winston that such subsequent registration is "later-in-time" and, therefore, not in priority to the CIBC Security;
- iii) First National has filed several financing statements with respect to specific collateral prior to the date of the registration of the CIBC Security, in respect of NorthStar. The collateral against which First National has registered financing statements is leased rolling stock, which was not sold or assigned to Norseman pursuant to the Norseman Transaction. As previously described, the Receiver and its U.S. counsel is engaged in discussions with First National with respect to the release of funds being held by First National and the settlement of amounts purportedly owing by the Company to First National.

66. Based on the Canadian PPSA Review and the U.S. UCC Review, the CIBC Security appears to be in priority to other secured claims, in respect of the Property that is the subject of the Receiver's motion for the approval of the Lenders' Distribution, other than those claims and charges for which the Receiver has retained sufficient funds to satisfy.

#### **REQUEST FOR APPROVAL OF THE LENDERS' DISTRIBUTION AND THE PROPERTY TAX DISTRIBUTION**

67. The following summarizes the amounts available for the Lenders' Distribution:

	Cash \$	Promissory Note \$	Total \$
Available funds	9,183,374	4,000,000	13,183,374
less: Repayment of Receiver's Borrowings	(500,000)		(500,000)
Sub-total	8,683,374	4,000,000	12,683,374
less: reserve for Property Tax Distribution	(128,419)		
less: reserve for:			
Accrued costs to date	(880,000)		(880,000)
81.3 Charge	(162,963)		(162,963)
<b>Total available for distribution</b>	<b>7,511,992</b>	<b>4,000,000</b>	<b>11,511,992</b>
Proposed Lenders' Distribution:	7,250,000	4,000,000	11,250,000
<b>Remaining funds on hand</b>	<b>261,992</b>	<b>-</b>	<b>261,992</b>

68. Pursuant to paragraph 20 of the Receivership Order, the Receiver hereby confirms that it will repay the Receiver's Borrowings of \$500,000 to the CIBC.
69. The Receiver has maintained a sufficient reserve to pay the Property Tax Claim and respectfully seeks an order of this Honourable Court, authorizing the Receiver to pay the Property Tax Claim (the "**Property Tax Distribution**").
70. The Receiver is seeking an order of this Honourable Court approving a distribution to CIBC, as administrative agent for the Lenders, of \$11,250,000 in respect of the CIBC Security, comprised of \$7,250,000 in cash and the full amount of the Promissory Note.
71. The Receiver's estimate of accrued costs to date includes:
- i) Professional fees for the Receiver and the Receiver's Canadian and U.S. counsel of approximately \$610,000, including amounts recently invoiced and an estimate of amounts accrued but not yet invoiced;
  - ii) Other costs for the administration of the estate from the date of the Receivership of approximately \$250,000, including costs for utilities, lease payments, employee related expenses (including but not necessarily limited to costs, workers compensation and health benefits) and other expenses associated with the administration of the Company; and

iii) A reserve for \$20,000 for the fees and costs of the Trustee, subject to the approval of this Honourable Court.

72. The Receiver has obtained opinions from its independent legal counsel that the CIBC Security is valid and enforceable. As summarized herein and to the best of its knowledge, the Receiver is of the view that there are no prior charges or claims, that remain unsatisfied or for which the Receiver is not holding sufficient reserves.
73. The Receiver respectfully requests this Honourable Court grant an order approving and authorizing the payment of the Lenders' Distribution.
74. Future realizations in respect of the Property may accrue to the Receiver, although such realizations, if any, are not likely to be significant as substantially all of the Property was sold to Norseman pursuant to the Norseman Transaction. Sources of future realizations may include, among other things:
- i) The collection of accounts receivable;
  - ii) The payment to the Receiver by Allied in respect of the Allied Settlement; and
  - iii) Amounts which may be realized by the Receiver in respect of any settlement that is reached with Intertape.

Accordingly, future distributions may be available to CIBC, as administrative agent for the Lenders (the "**Future Distributions**").

75. The Receiver is of the view that Future Distributions, if any, will not likely be material, relative to the quantum of the Lenders' Distribution. On a practical level, in order to minimize the cost associated with the administration of the Receivership Proceedings, the Receiver is seeking an order of this Honourable Court authorizing the Receiver to make Future Distributions to CIBC, as administrative agent for the Lenders.
76. The Receiver respectfully requests this Honourable Court grant an order authorizing the Receiver to make the Future Distributions.



## **RELIEF SOUGHT**

77. The Receiver respectfully requests this Honourable Court make an order:

- i) Approving the Lenders' Distribution in the amount of \$11,250,000;
- ii) Authorizing the Receiver to make Future Distributions;
- iii) Approving the Property Tax Distribution in the amount of \$128,419;
- iv) Authorizing the payment by the Receiver of the costs and expenses of the Trustee in an amount not to exceed \$20,000 without further order of this Court; and
- v) Approving the activities of the Receiver as set out in this Second Report including the Receiver's Statement of Cash Receipts and Disbursements;

All of which is respectfully submitted on this 30<sup>th</sup> day of July, 2010.

**PricewaterhouseCoopers Inc.**  
in its capacity as Receiver of  
the Cover-All Group of Companies

A handwritten signature in black ink, appearing to read 'Greg Prince', with a stylized, flowing script.

Greg Prince  
Senior Vice President

## **APPENDIX**

- “A” First Report of the Receiver
- “B” McMurray Affidavit, without Exhibits
- “C” Monitor’s Certificate

## **APPENDIX “A”**

**Cover-All Holding Corp., Cover-All Buildings Systems Inc., Cover-All U.S. Holding Corp., Summit Structures, LLC, Quick Structures LLC, Cover-All Holdings U.S., LLC, Summit Structures U.S., LLC, Summit Project Management, LLC, Eastern Cover-All, Inc., NorthStar Cover-All, LLC, NorthStar Cover-All, Inc., Summit Structures Limited**

**FIRST REPORT OF THE RECEIVER**

**June 4, 2010**

**Action No. 1001-05915**

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.  
B-3, AS AMENDED;

AND IN THE MATTER OF THE JUDICATURE ACT, R.S.A. 2000, c. J-2, AS  
AMENDED;

AND IN THE MATTER OF THE RECEIVERSHIP OF COVER-ALL HOLDING  
CORP., COVER-ALL BUILDING SYSTEMS INC. COVER-ALL U.S. HOLDING  
CORP., SUMMIT STRUCTURES, LLC, QUICK STRUCTURES LLC, COVER-ALL  
HOLDINGS U.S., LLC, SUMMIT STRUCTURES U.S., LLC, SUMMIT PROJECT  
MANAGEMENT, LLC, EASTERN COVER-ALL, INC., NORTHSTAR COVER-ALL,  
LLC, NORTHSTAR COVER-ALL, INC. AND SUMMIT STRUCTURES LIMITED

BETWEEN:

CANADIAN IMPERIAL BANK OF COMMERCE  
as administrative agent

Applicant

-and-

COVER-ALL HOLDING CORP., COVER-ALL BUILDING SYSTEMS INC. COVER-  
ALL U.S. HOLDING CORP., SUMMIT STRUCTURES, LLC, QUICK STRUCTURES  
LLC, COVER-ALL HOLDINGS U.S., LLC, SUMMIT STRUCTURES U.S., LLC,  
SUMMIT PROJECT MANAGEMENT, LLC, EASTERN COVER-ALL, INC.,  
NORTHSTAR COVER-ALL, LLC, NORTHSTAR COVER-ALL, INC. AND SUMMIT  
STRUCTURES LIMITED

Respondents

**FIRST REPORT OF PRICEWATERHOUSECOOPERS INC.  
AS RECEIVER  
OF THE COVER-ALL GROUP OF COMPANIES**

**JUNE 4, 2010**

**INTRODUCTION**

1. Cover-All Holding Corp. ("**Holdco**"), Cover-All Buildings Systems Inc. ("**CBSI**"), Cover-All U.S. Holding Corp., Summit Structures, LLC ("**Summit LLC**"), Quick Structures LLC, Cover-All Holdings U.S., LLC, Summit Structures U.S., LLC, Summit Project Management, LLC, Eastern Cover-All, Inc., NorthStar Cover-All, LLC, NorthStar Cover-All, Inc. and Summit Structures Limited (collectively "**Cover-All**", the "**Cover-All Group of Companies**" or the "**Company**") were subject to a proceeding under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), pursuant to an order of the Honourable Mr. Justice LoVecchio granted on March 24, 2010 (the "**Initial Order**"), in Action No. 1001-04270, and referred to herein as the "**CCAA Proceedings**". Ernst & Young Inc. was appointed as monitor of Cover-All (the "**Monitor**") in the CCAA Proceedings.
2. By order of the Honourable Mr. Justice LoVecchio (the "**Receivership Order**") dated April 23, 2010, (the "**Date of Appointment**"), upon an application brought by the Canadian Imperial Bank of Commerce ("**CIBC**" or the "**Bank**"), as administrative agent for a lending syndicate to the Company including CIBC, The Bank of Nova Scotia and Roynat Capital (collectively the "**Lenders**"), PricewaterhouseCoopers Inc. was appointed receiver (the "**Receiver**"), pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 13(2) of the *Judicature Act*, R.S.A. 2000, c. J-2, as amended (the "**Judicature Act**"), without security over all the assets, undertakings and property (the "**Property**") of the Company. The period subsequent to the Date of Appointment is referred to herein as the "**Receivership Proceedings**".

3. Also, on April 23, 2010, upon an application brought by the Company, the CCAA Proceedings were terminated by order of the Honourable Mr. Justice LoVecchio (the “**CCAA Termination Order**”).
4. This is the first report of the Receiver (the “**First Report**”), the purpose of which is to inform this Honourable Court of:
  - i) The Receiver’s activities since the Date of Appointment to the date of this First Report;
  - ii) Claims asserted by Allied Tube & Conduit Corporation (“**Allied**”) for the repossession of goods in the Company’s possession, pursuant to a purported consignment arrangement between Allied and the Company and Allied’s claim of a purchase money security interest in and to certain of Cover-All’s inventory;
  - iii) Claims asserted by Intertape Polymer Group Inc., ECP L.P. and ECP GP II Inc. (collectively “**Intertape**”) for the repossession of goods in the Company’s possession, pursuant to a purported consignment arrangement Intertape claims existed between Intertape and the Company;
  - iv) The Receiver’s receipts and disbursements from the Date of Appointment to May 21, 2010;
  - v) The results of the Sale Process (as hereinafter defined) undertaken by the Receiver in respect of the Property, and the sale of substantially all of the Property to Norseman Structures Inc. (“**Norseman**”), subject to this Honourable Court’s approval;

And to seek an order of this Honourable Court:

- i) Approving the Sale Transaction (as hereinafter defined) and vesting the Company’s right, title and interest in and to the Purchased Assets (as hereinafter defined) in Norseman, free and clear of all encumbrances (the “**Approval and Vesting Order**”);

- ii) Sealing the unredacted version of the Norseman APA and the Bid Summary, pending the closing of the Sale Transaction; and
  - iii) Approving the activities of the Receiver as described in this First Report, including with respect to the Receiver's conduct and completion of the Sale Process.
5. In preparing this report, the Receiver has relied upon unaudited and draft, internal financial information of the Company, including information provided to it by the Bank. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided to it and expresses no opinion, or other form of assurance, in respect of the information contained in this report.
6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not defined herein are as defined in the Initial Order.

## **BACKGROUND**

7. The Company manufactured and sold pre-engineered membrane building systems for non-residential use. A detailed description of the Company's business and operations is set out in the Affidavit of Nathan Stobbe, sworn March 24, 2010 (the "**Stobbe Affidavit**") in support of the Company's application to the Court for the Initial Order in respect of the CCAA Proceedings. A copy of the Stobbe Affidavit can be found on the Receiver's website at [www.pwc.com/car-cover-all](http://www.pwc.com/car-cover-all) (the "**Website**"). The CCAA Proceedings were initiated by the Company on March 24, 2010 in response to a variety of business issues facing the Company, including potential engineering issues related to the design of certain of its products (the "**Engineering Concerns**"), as more particularly described in the Stobbe Affidavit.



8. As a result of the Engineering Concerns, on or about March 17, 2010, the Company sent a notice to customers who, according to the Company's records, had purchased certain "Titan" building series products, advising of potential safety concerns (the "**Titan Notice**"). The Titan Notice is attached hereto as Appendix "**A**". The Company shut down its manufacturing operations, prior to the commencement of the CCAA Proceedings, while an internal and external review of various engineering and design-related matters proceeded.
9. On April 22, 2010, as a result of its ongoing review of engineering and design-related matters, the Company issued a press release to customers, broadening its safety warning to "all Cover-All Building System Inc. Buildings" (the "**April 22 Notice**"). The April 22 Notice is attached hereto as Appendix "**B**".
10. As set out in the affidavit of John McMurray of CIBC, sworn on April 20, 2010 in support of CIBC's application for the appointment of the Receiver (a copy of which can be found on the Website), following the Lenders' review of the Company's financial position and future prospects during the CCAA Proceedings, the Lenders concluded that there was no prospect for a restructuring of the Company. Accordingly, as a result of the Lenders' review, and consultations with the Monitor and the Company, the Lenders determined that the most efficient way to proceed was through a receivership proceeding, in order to pursue an orderly sale of the Property.
11. After discussion and consultation with the Lenders, the Receiver concluded that in an effort to administer the Receivership Proceedings on a cost effective basis, it would utilize the Lenders' counsel, Borden Ladner Gervais LLP ("**BLG**") as counsel to the Receiver, for general activities related to the Receivership Proceedings. The Receiver has engaged Osler, Hoskin & Harcourt ("**Osler**") as its independent legal counsel to review the Lenders' security and to deal with matters arising in the Receivership Proceedings where the interests of other parties may be in conflict to the interests of the Lenders.

## RECEIVER'S ACTIVITIES SINCE THE DATE OF APPOINTMENT

### POSSESSION AND CONTROL

12. On the Date of Appointment, the Receiver took steps to take possession and control over the Property situated at the Company's head office and manufacturing plants at 3815 Wanuskewin Road, Saskatoon, Saskatchewan (the "**Head Office**") and at one of its largest Corporate Dealerships (as hereinafter defined) in Lucknow, Ontario, where, in total, approximately \$22.7 million or 91% of the total book value of the Company's inventory and capital assets (excluding real property) of \$24.9 million, was located. Certain other Property is located at various division offices in Canada and the United States (the "**Corporate Dealerships**"), some of which have individually, immaterial amounts of Property. Accordingly, in order to avoid the initial and ongoing costs associated with taking possession of all of the Corporate Dealerships, the Receiver provided written instructions to certain of the Company's employees to count, secure and monitor the Property located at the Corporate Dealerships.
13. The Receiver, with the assistance of Cover-All's employees, undertook a physical inventory of the Company's tangible property located at the Head Office and the Corporate Dealerships, which included:
  - i) Identifying inventory subject to third party claims pursuant to section 81.1 of the BIA (the "**81.1 Claims**");
  - ii) Investigating inventory subject to the claim of Allied:
    - a) for the return of certain goods in Cover-All's possession pursuant to a purported consignment arrangement (the "**Allied Consignment Claim**"); and
    - b) that it has a valid purchase money security interest in and to inventory supplied by it, in Cover-All's possession, which

remains unpaid for (the “**Allied PMSI Claim**” and collectively with the Allied Consignment Claim, the “**Allied Claims**”); and

iii) Investigating inventory subject to the claim of Intertape for the return of certain goods in Cover-All’s possession, supplied by it pursuant to a purported consignment arrangement between Intertape and the Company (the “**Intertape Consignment Claim**”).

The 81.1 Claims, the Allied Claims and the Intertape Consignment Claim are discussed in further detail below.

14. On the Date of Appointment, the Receiver also took steps to freeze Cover-All’s bank accounts and requested the remittance of funds therein to the Receiver. As of the date of this First Report, the Receiver has taken possession of the majority of the cash in the Company’s bank accounts, amounting to the Canadian dollar equivalent of approximately \$310,000. However, an amount of approximately US \$70,000 is being held in a bank account at The First National Bank of Cold Spring, in Cold Spring, Minnesota (“**First National**”). First National is claiming a right of set off against certain lease payments owing to it in respect of leases entered into by NorthStar Cover-All, Inc. The Receiver is currently attempting to negotiate a settlement with First National with respect to the release of these funds.
15. At the Date of Appointment, the Company’s books and records indicated that accounts receivable totaled approximately \$9.1 million, of which over 40%, or \$4 million, were over 90 days old. In addition, the Receiver has had discussions with numerous customers, who have expressly stated that as a result of the Engineering Concerns raised by the Company, as described in the Titan Notice and the April 22 Notice, they are currently refusing to pay amounts owing to the Company, until they are able to more fully understand the impact of the Engineering Concerns and assess whether or not they will need to incur additional costs to deal with remediating buildings they have purchased.

16. The Receiver has obtained possession of the Company's books and records and has imaged, or copied, certain of the Company's electronic books and records, including computer servers, email servers, various laptops and computers and certain software associated with accounting, financial and operational applications.
17. A summary of the inventory, capital assets and real property, for each of the Cover-All Group of Companies, is set out in Appendix "C" hereto.

#### **EMPLOYEES**

18. On the Date of Appointment, the Company had 64 employees located in North America, with 43 employees located at the Head Office and 21 employees located at the various Corporate Dealerships (collectively the "**Remaining Employees**"). In order to assist the Receiver with taking possession and control of the Property, including dealing with inventory at the Corporate Dealerships, taking physical inventories of the Property and assisting prospective purchasers in their due diligence efforts, the Remaining Employees were retained subsequent to the Date of Appointment, for a short period of time. During the course of the Receivership Proceedings, a number of the Remaining Employees resigned and, as of May 31, 2010, the Company, through the Receiver, terminated the employment of all of the Remaining Employees who had not previously resigned or been terminated.
19. According to Cover-All's books and records, outstanding salaries and hourly wages owed to employees as of the Date of Appointment was approximately \$140,000, primarily due to the fact that the Company pays its employees one week in arrears. As directed by this Honourable Court, pursuant to paragraph 6 a) of the CCAA Termination Order, on May 3, 2010 and May 4, 2010, the Company, through the Receiver, paid the wage arrears owing at the Date of Appointment to the Remaining Employees in Canada and the United States, respectively.
20. In addition to unpaid wages, the Receiver has received numerous claims from employees for expenses incurred on behalf of the Company, which have not been

reimbursed. The amount of such claims has continued to increase since the Date of Appointment. As no formal claims process presently exists with respect to these claims, the Receiver has not spent any significant time reviewing or assessing such claims.

21. For those employees who had been terminated by the Company prior to the Receivership Proceedings (the “**Former Employees**”), the Receiver completed the calculation of amounts that they are entitled to pursuant to, and as required by, the *Wage Earner Protection Program Act* (“**WEPPA**”), according to information available to the Receiver from the Company’s books and records. On May 21, 2010, the Receiver sent a package of information to the Former Employees, which included:
  - i) A notice advising of their rights under WEPPA;
  - ii) A schedule setting out the amount of that Former Employee’s claim pursuant to WEPPA, calculated by the Receiver based on information available from the Company’s books and records;
  - iii) A copy of the WEPPA application guide; and
  - iv) A proof of claim form.
22. The Receiver is in the process of completing the calculation of amounts that the Remaining Employees are entitled to, pursuant to WEPPA, and will complete the same process as it undertook in respect of the Former Employees, as soon as it can practically do so.
23. The Receiver has reviewed, on an employee-by-employee basis for both the Remaining Employees and the Former Employees, the potential secured claims pursuant section 81.4 of the BIA (the “**81.4 Claims**”) and currently estimates that the 81.4 Claims total approximately \$170,000.
24. The 81.4 Claims are secured by a charge over the Company’s current assets, as defined in the BIA (the “**81.4 Charge**”). As discussed above, the Receiver took

possession of approximately \$310,000 in cash in various bank accounts held by the Company. In addition, the Receiver has realized approximately \$580,000 in respect of the collection of accounts receivable up to and including May 28, 2010. Accordingly, there will be sufficient current assets to satisfy the estimated 81.4 Charge.

#### **INSURANCE**

25. The Receiver reviewed the Company's general liability and property and casualty insurance coverage with Marsh Canada Limited ("**Marsh**"), the Company's insurance broker, which policies are in force until October 31, 2010. Based on its review of the insurance coverage with Marsh, the Receiver is of the view that the Company's insurance coverage should adequately insure the Property from loss or damage during the Receivership Proceedings. The Receiver has been added as a loss payee and named insured in respect of most of the Company's insurance policies, including all property and casualty insurance policies.
26. The Company financed the annual premium in respect of its insurance policies with Macquarie Premium Funding Inc. ("**Macquarie**") pursuant to two separate premium installment contracts ("**PICs**"), with monthly payments totaling approximately \$58,000 and US \$25,000, respectively. Macquarie, through its legal counsel, McMillan LLP ("**McMillan**") has advised the Receiver that it is of the view that the Company remains obligated to make payments under the PICs, notwithstanding the stay of proceedings pursuant to the Receivership Proceedings. The Receiver, with the assistance of Osler, reviewed the PICs and has agreed to make payments under the PICs for as long as the Company and the Receiver continue to have the benefit of the Company's insurance coverage.
27. The Receiver is aware of claims against Cover-All's general liability insurance and is working with Marsh to provide access to the Company's insurers, including negotiating acceptable terms for the lifting of the stay of proceedings, described in further detail below, to allow claimants to pursue their respective claims against the Company's insurers.

28. Subsequent to closing the Sale Transaction, described below, the Receiver intends to have the Company's existing insurance coverage terminated, as the Company will not have the financial capability to continue to pay amounts owing in respect of the PICs. Based on its discussions with Marsh, the Receiver has been advised that, in the event insurance coverage is terminated prior to its expiry, a refund of unearned premiums (the **"Unearned Premiums"**) may be available, subject to the specific terms of each individual insurance contract. The Receiver and Macquarie have agreed that, subject to either an agreement between the parties or a formal determination of this Honourable Court with respect to the priority to the Unearned Premiums, as between Macquarie and other secured creditors, Macquarie will direct Marsh (and/or the insurers) to pay the refund of the Unearned Premiums to the Receiver, to be held in trust, pending a resolution of the entitlement to same.

#### **THE LIFT STAY ORDERS**

29. During the course of the CCAA Proceedings, two separate plaintiffs in ongoing litigation with the Company, Richard Behm and Michelle Behm on their own behalf and on behalf of others (the **"Texas Applicants"**) and Clublink Corporation (**"Clublink"**) requested that the Company and the Monitor consent to making of orders in the CCAA Proceedings, lifting of the stay of proceedings under the CCAA, in order to pursue their respective claims against the Company, with any judgments obtained therefrom only being enforceable against insurance proceeds that may be available to the Company (the **"Texas Applicants Lift Stay Order"** and the **"Clublink Lift Stay Order"** and, together, the **"Initial Lift Stay Orders"**). The Initial Lift Stay Orders provide that Clublink and the Texas Applicants are not precluded from participating as claimants in the Receivership Proceedings, if the insurance coverage is insufficient to satisfy judgments awarded to them or settlements made with the Company or its insurers.
30. As at the Date of Appointment, although the Company and the Monitor were not opposed to the granting of the Initial Lift Stay Orders, the form of the Initial Lift Stay Orders had not been agreed to and, as a result of the pending application of

the Bank for the appointment of a receiver, the Company, the Monitor and the Lenders agreed that the Initial Lift Stay Orders would be dealt with in the Receivership Proceedings.

31. Subsequent to its appointment, the Receiver, and its legal counsel, Osler, reviewed the proposed form of the Initial Lift Stay Orders and, with the concurrence of BLG, consented to the issuance of Initial Lift Stay Orders. This Honourable Court issued the Texas Applicants Lift Stay Order on May 5, 2010 and the Clublink Lift Stay Order on May 11, 2010.
32. During the Receivership Proceedings, the Receiver received an additional request to lift the stay of proceedings from the Dallas Cowboys Football Club, Ltd., for the purpose of continuing its claim against CBSI and Summit LLC, with any judgments obtained there from only being enforceable against insurance proceeds available to CBSI and / or Summit LLC (the **"Cowboys' Lift Stay Order"**). The Receiver reviewed and agreed to the form of the Cowboys' Lift Stay Order, which was issued by this Honourable Court on May 28, 2010, and which includes similar terms as those included in the Initial Lift Stay Orders.

#### **TRAVELERS GUARANTEE COMPANY OF CANADA**

33. Travelers Guarantee Company of Canada (**"Travelers"**) provided bonding to customers in respect of various Cover-All projects. As security for providing performance and completion bonds, the Bank issued a letter of credit in favour of Travelers in the amount of \$895,000 (the **"Letter of Credit"**). As of the Date of Appointment, there were four bonded projects in various stages of construction and approximately 50 completed projects that may have potential warranty claims (collectively, the **"Bonded Projects"**). Accordingly, Travelers, have drawn on the Letter of Credit on the basis that it will incur significant costs to complete the Bonded Projects or to provide warranty-related services in respect thereof.
34. Travelers has requested that the Receiver provide it with extensive information in respect of a number of the Bonded Projects. The Receiver has provided some of the information requested by Travelers. As the Receiver's solicitation efforts with



respect to the Sale Process have been completed, the Receiver intends to provide Travelers with such additional information as soon as the Receiver is able to, subject to the availability of such information from the Company's books and records.

#### **CHAPTER 15 PROCEEDINGS**

35. As described in the Stobbe Affidavit, the Company was of the view that a restructuring of the Company or sale of the Property was likely to require judicial proceedings in the United States and, potentially, other jurisdictions, as certain of the Property is located outside of Canada.
36. In accordance with the provisions of the Initial Order, on March 25, 2010, Holdco, on behalf of the Company, and the Monitor, as foreign representative, filed a petition (the "**Chapter 15 Petition**") with the U.S. Bankruptcy Court, Eastern District of Pennsylvania (the "**U.S. Court**"), seeking recognition of the CCAA Proceedings and the enforcement of the Initial Order pursuant to Chapter 15, Title 11 of the U.S. Bankruptcy Code (the "**Chapter 15 Proceedings**"), with the hearing of the Chapter 15 Petition to occur on April 21, 2010.
37. As a result of the pending application of the Bank for the appointment of a receiver, the Company and the Monitor consulted with the Lenders with respect to the Lenders' desire to have the Chapter 15 Petition heard. The preparation associated with the Chapter 15 Proceedings had already occurred and the associated costs had virtually all been incurred. In addition, as the Sale Process proposed by the Lenders had not yet been approved by this Honourable Court, or commenced, the Lenders did not object to the hearing of the Chapter 15 Proceedings by the U.S. Court.
38. Having been advised by the Company's U.S. counsel of the Bank's application for the appointment of a receiver and the concurrent application of the Company for the termination of the CCAA Proceedings on April 23, 2010, the U.S. Court granted an order recognizing the "**Canadian Proceedings**" as a foreign main proceeding, and broadened the definition of the Canadian Proceedings to include

“... the Debtors’ proceeding whether under the *Companies’ Creditors Arrangement Act* or any other Canadian insolvency or receivership law...”.

39. On May 7, 2010, the Receiver filed a notice of motion as the successor foreign representative of the Company, for an order recognizing and enforcing the Receivership Order and the CCAA Termination Order (the “**Recognition Order**”).
40. On June 3, 2010, the U.S. Court entered the Recognition Order.

#### **OPERATIONS OUTSIDE OF NORTH AMERICA**

41. Cover-All conducted business in the United Kingdom through Summit Structures Limited (“**Summit UK**”), a wholly owned subsidiary of CBSI. Summit UK is, in effect, a sales office that the Receiver understands currently employs 6 employees and whose operations consisted primarily of the sale of products purchased from its parent to third parties in the United Kingdom. While Summit UK was included as a Respondent in the Receivership Order, the Receiver has elected not take possession or control of Summit UK, as Summit UK has very few “tangible” assets, and the Receiver was of the view that the costs of proceeding in the United Kingdom were not justified in the circumstances. Summit UK also owns 95% of the common shares of Cover-All Europe GmbH (“**Cover-All Europe**”), the Company’s German-based subsidiary.
42. During the Sale Process, no expressions of interest were received specifically with respect to Summit UK and no binding offers were received with respect to Summit UK by the deadline set by the Receiver for such offers.
43. On May 27, 2010, Nathan Stobbe, the Company’s former Chief Executive Officer, resigned as the sole remaining director of Summit UK.
44. As there are only minimal assets remaining in Summit UK, the Receiver is currently in the process of determining the most cost effective way of dealing with Summit UK.

45. Cover-All Europe operated as an independent dealer, selling Cover-All products until 2007 when the Company acquired a 95% interest in it. The remaining 5% minority interest in Cover-All Europe is held by Mr. Sebastian Hunnekens (**“Hunnekens”**), its general manager. Cover-All Europe is not subject to the Receivership Proceedings.
46. The book value of Cover-All Europe’s assets, based on information available to the Receiver as at January 31, 2010, was approximately \$3.2 million, comprised primarily of \$3.08 million of accounts receivable.
47. Prior to the CCAA Proceedings, Hunnekens had expressed an interest in acquiring Summit UK’s 95% stake in Cover-All Europe. During the CCAA Proceedings, Hunnekens sent several new “offers” to the Company for the purchase of Summit UK’s shares, and advised the Monitor, the Company and its counsel, that Cover-All Europe was insolvent and that it could not continue to operate, and, that as its sole director, Hunnekens would be forced to resign, as it is a criminal offence in Germany to trade while insolvent. The Receiver is aware of at least three “offers” to purchase Summit UK’s shares in Cover-All Europe, made by Hunnekens prior to or during the CCAA Proceedings.
48. During the Receivership Proceedings, the Receiver advised Hunnekens of the Sale Process. After discussions between representatives of the Receiver and Hunnekens, on May 11, 2010, Hunnekens sent an email to the Receiver, which, among other things:
- i) Outlined Cover-All Europe’s financial position, including a statement that Cover-All Europe has no money to continue to operate its business;
  - ii) Indicated that employees were set to leave the Company; and
  - iii) Set out Hunnekens’ interest in purchasing Summit UK’s shares in Cover-All Europe for an amount that “...may not exceed \$300,000...” (the **“Hunnekens Expression of Interest”**). The Hunnekens Expression of Interest did not contain any terms and conditions customary for the

purchase of the shares of a company, other than that a sale would have to be closed by May 26, 2010.

49. The Receiver has been advised by BLG that Cover-All Europe is a guarantor in respect of the Lenders' various credit agreements with the Company, and has granted a general security interest to the Bank to secure CBSI's obligations thereunder (the "**Cover-All Europe Guarantee**"). The Hunnekens Expression of Interest did not address the release of the Cover-All Europe Guarantee. Based on the foregoing, the Receiver had serious reservations about the Hunnekens Expression of Interest.
50. As described more fully below, pursuant to paragraph 25 of the Receivership Order, the Receiver was authorized to carry out the Sale Process. In this respect, the deadline for submitting non-binding expressions of interest and binding offers was May 14, 2010 and May 21, 2010, respectively. As binding offers were not due until May 21, 2010, the Receiver would not have been in a position to assess other offers, as against the Hunnekens Expression of Interest, until that time. Accordingly, the closing deadline imposed in the Hunnekens Expression of Interest was not achievable and all "offers" expired.
51. On May 29, 2010, Hunnekens emailed representatives of the Receiver and enclosed a shareholder's resolution, purportedly redeeming Summit UK's shares. A copy of the Shareholder's Resolution is attached hereto as Appendix "**D**". The Receiver has discussed the purported share redemption with BLG and Mayer Brown LLP, the Lenders' German counsel. The Receiver understands that the Lenders' counsel is assessing the Lenders' options with respect to the Cover-All Europe Guarantee.

#### **81.1 CLAIMS**

52. Two 81.1 Claims were lodged with the Receiver by creditors:
  - i) A claim by Kawneer Company Canada Limited ("**Kawneer**") for the return of approximately \$120,000 of goods;

ii) A claim by OCR Canada Ltd. (“**OCR**”) for the return of approximately \$73,000 of goods.

53. The Receiver has completed its review of the 81.1 Claims and has rejected, in their entirety, the 81.1 Claims on the basis that the products delivered to Cover-All by the claimants were not delivered within the period that is 30 days prior to the appointment of the Receiver, as required pursuant to subsection 81.1(1)(b) of the BIA.
54. The Receiver sent a notice disallowing the 81.1 Claims to both Kawneer and OCR on May 21, 2010. Both Kawneer and OCR have responded to the Receiver and have not disputed the Receiver’s disallowance of their respective claims.

**PAYMENT OF THE APPLICANTS’ ADVISOR’S ADMINISTRATION CHARGE**

55. Pursuant to paragraphs 6 b) and 6 c) of the CCAA Termination Order, the Receiver was directed to pay obligations outstanding up to and including the Date of Appointment, and not yet paid by the Company, to, among others, the Monitor, its counsel and counsel to the Company.
56. In accordance with paragraph 11 of the CCAA Termination Order, on April 30, 2010, the Monitor provided the Receiver with the Outstanding Charged Obligations Schedule.
57. The Receiver reviewed the Outstanding Charged Obligations Schedule and, after reviewing the amounts therein, paid amounts owing to the applicable parties, except for Kirkland & Ellis LLP (“**Kirkland**”), on May 5, 2010.
58. On May 7, 2010, the Receiver emailed the Monitor, confirming the payment of amounts pursuant to the Outstanding Charged Obligations Schedule, except for the obligations outstanding to Kirkland, as the Receiver required more details from Kirkland with respect to the amounts owing to it.

59. After receiving detailed time dockets from Kirkland, the Receiver subsequently paid the obligations owing to Kirkland, as set out in the Outstanding Charged Obligations Schedule, on May 11, 2010.

#### **REVIEW OF THE LENDERS' SECURITY**

60. Shortly after the Date of Appointment, the Receiver instructed Osler to undertake a review of the Bank's security. Osler has advised that it has engaged agents in other jurisdictions, including Saskatchewan, Ontario and Nova Scotia and that its review of the Bank's security is expected to be completed within the next week.
61. The Receiver is not applying to this Honourable Court for the approval of a distribution in respect of the Property, or the proceeds realized therefrom, at this time.

#### **STATUTORY DUTIES**

62. On May 3, 2010, in accordance with subsection 245(1) of the BIA, the Receiver sent a notice of its appointment, in the prescribed form, and its first report pursuant to subsection 246(1) of the BIA, to known creditors as set out in the Company's books and records, and to the Superintendent of Bankruptcy.

#### **WEBSITE AND HOTLINE**

63. The Receiver has established a website at [www.pwc.com/car-cover-all](http://www.pwc.com/car-cover-all) to post periodic updates and materials with respect to the Receivership Proceedings. The Receiver has also established an information hotline for creditors at 1-877-741-5152. The Receiver continues to monitor its website and hotline and respond to enquiries received on a timely basis.

#### **THE ALLIED CLAIMS**

64. Allied supplied galvanized steel tubing to CBSI, pursuant to an agreement dated December 4, 2008, which purports to consign goods to CBSI (the "**Allied Agreement**"). As at the Date of Appointment, the invoiced value of the goods delivered by Allied to CBSI, and in CBSI's possession, at the Head Office, was

approximately US \$1.5 million. Of this amount, the Receiver determined that Cover-All had purchased approximately US \$1.1 million of the goods but as at the Date of Appointment had only paid for approximately US \$450,000.

65. On May 6, 2010, Allied, through its counsel, McMillan, demanded:
- i) The return of steel that had not been sold to Cover-All (the Allied Consignment Claim, as previously defined), being approximately \$400,000; and
  - ii) Payment of the outstanding amounts owing to Allied for the steel inventory sold to Cover-All (the Allied PMSI Claim, as previously defined), being approximately \$650,000.
66. Osler has reviewed documentation provided to the Receiver by McMillan and has advised the Receiver that the Allied Agreement does not appear to be a true consignment arrangement. Despite this, Allied appears to have taken the appropriate steps, in the alternative, to establish a valid purchase-money security interest (the “**Allied PMSI**”) under the *Personal Property Security Act, 1993* (Saskatchewan) (the “**Saskatchewan PPSA**”), which would rank ahead of the Lenders’ security interest. Based on its review, Osler has advised the Receiver that the Allied PMSI would include both the goods that had not yet been sold to Cover-All and goods that Cover-All had purchased but not yet paid for, which were delivered subsequent to February 6, 2009, the date on which Allied sent notice under the Saskatchewan PPSA of the registration of its financing statement in respect of Cover-All, dated February 5, 2009 (the “**Allied PMSI Goods**”).
67. The goods which are subject to the Allied PMSI have been excluded from the Sale Transaction.
68. On May 27, 2010, the Receiver contacted McMillan and advised it that the Receiver had concluded that Allied had a valid PMSI in respect of the Allied PMSI Goods. Allied has advised the Receiver that it reserves its rights to dispute

the Receiver's position that the Allied Agreement is not a true consignment arrangement.

69. Allied has advised the Receiver that it wishes to repossess the Allied PMSI Goods. Allied and the Receiver are in the process of establishing a protocol for the physical identification and return of the Allied PMSI Goods, subject to there being agreement as between Allied and the Receiver or a determination of this Honourable Court with respect to Allied's obligation to contribute to the Court Ordered Charges and the 81.4 Charge (as such terms are hereinafter defined) as discussed below.
70. Although the Allied PMSI appears valid, the Receiver has advised McMillan that, the Receiver is of the view that, the Allied PMSI Claim would not rank in priority to the charges created in the CCAA Proceedings or the Receivership Proceedings, as set out in paragraph 26 of the Receivership Order (the "**Court Ordered Charges**"), nor would the Allied PMSI Claim rank in priority to statutory charges under the BIA, such as the 81.4 Charge.
71. If the Allied PMSI Goods were sold by the Receiver, as opposed to Allied taking possession of its collateral, realizations therefrom would be subject to the prior ranking Court Ordered Charges and the 81.4 Charge, in the same way that realizations in respect of the rest of the Property would be. Accordingly, the Receiver has advised McMillan that it is of the view that Allied should bear a portion of the obligations in respect of the Court Ordered Charges and the 81.4 Charge.
72. On June 3, 2010, the Receiver sent an email to McMillan setting out information with respect to the nature and quantum of the Court Ordered Charges, the 81.4 Charge, and an estimate of the potential realizations in respect of the Property, on the basis that the Sale Transaction is approved by this Honourable Court and closes. The Receiver's correspondence to McMillan also included an estimate of the realizations in respect of the Company's current assets (as defined in the BIA),



to enable Allied to assess the Receiver's request that it contribute towards the Court Ordered Charges and the 81.4 Charge.

73. McMillan has advised the Receiver that it will advise Allied of the Receiver's position and that Allied will provide the Receiver with a response thereto, as soon as it practically can.
74. In the event that the Receiver and Allied are unable to resolve this issue, the Receiver will consider whether it is appropriate to bring this matter forward to seek this Honourable Court's advice and directions.
75. On June 4, 2010, the Receiver entered into an agreement with Norseman, which will provide secure storage for the Allied PMSI Goods, including the Receiver's right to access the Allied PMSI Goods subsequent to the closing of the Sale Transaction, subject to this Honourable Court's approval of same, in the event the Receiver and Allied are unable to agree on a resolution with respect to the matters described above, prior to the Sale Transaction closing (the "**Access Agreement**"). The Access Agreement, attached hereto as Appendix "**E**" also applies to the Intertape Goods, described below.

#### **THE INTERTAPE CONSIGNMENT CLAIM**

76. Intertape supplied fabric covers to CBSI. As at the Date of Appointment, the invoiced value of the goods delivered by Intertape to Cover-All and in the Company's possession, was approximately \$925,000. Of this amount, the Receiver determined that Cover-All had purchased approximately \$410,000. The remainder of approximately \$515,000 is the subject of Intertape's claim (the "**Intertape Goods**").
77. During the CCAA Proceedings, on April 13, 2010, Intertape through its counsel, Heenan Blaikie LLP ("**Heenan**") requested that Osler, in its capacity as the Monitor's counsel, and BLG confirm that Intertape had a valid consignment agreement with Cover-All (the "**Intertape Consignment**"), and that Intertape

was entitled to remove goods that Cover-All had not paid for from the Head Office premises. As a result of the Bank's application for the appointment of a receiver and the pending application of the Company for the termination of the CCAA Proceedings, a determination of the validity of the Intertape Consignment was not made in the CCAA Proceedings and, instead, has been addressed by the Receiver and its counsel in the Receivership Proceedings.

78. During its review of the Intertape Consignment, the Receiver discovered two different, purported consignment agreements between Intertape and Cover-All, dated June 30, 2004 (the "**June 2004 Intertape Agreement**") and September 25, 2005 (the "**September 2005 Intertape Agreement**") and collectively with the 2004 Intertape Agreement, the "**Intertape Agreements**"). The Intertape Agreements are summarized below.
79. The June 2004 Intertape Agreement provided for the delivery of goods by Intertape to Cover-All for "consignment and storage". Title to the goods was to remain with Intertape and would pass to Cover-All in accordance with a "sales agreement", which the Receiver has determined are invoices from Intertape to Cover-All. There is no provision in the June 2004 Consignment Agreement for the return of goods to Intertape.
80. The September 2005 Intertape Agreement is substantially similar to the June 2004 Intertape Agreement. The Receiver has not been able to obtain an executed copy of the September 2005 Intertape Agreement from either Cover-All or Intertape. The key difference between the September 2005 Intertape Agreement and the June 2004 Intertape Agreement is in respect of the provisions governing the transfer of title of the goods from Intertape to Cover-All. In summary, the 2005 Intertape Agreement indicates that:
  - i) Goods will be purchased by the Company when they are used;
  - ii) If goods are not used, they are deemed to be purchased within 90 days of the date of delivery; and

iii) Intertape will invoice the Company weekly for all goods consumed on a weekly basis as well as for all goods that have been on the Company's premises for 90 days, at that time.

81. The Receiver has reviewed the Company's books and records and discussed the Company's dealings with Intertape, with Cover-All employees. Based on its review, the Receiver is of the view that Intertape and Cover-All have been conducting themselves in a manner consistent with the September 2005 Intertape Agreement.
82. As of the date of this First Report, there has been no determination with respect to which of the Intertape Agreements is the "operative" agreement governing the relationship with respect to the supply of goods between Intertape and the Company. Intertape has not confirmed with the Receiver that it concurs that the relationship between the Company and Intertape is governed by the September 2005 Intertape Agreement.
83. As a result of Osler's review of the Intertape Agreements, on June 2, 2010, the Receiver, and Osler, contacted Heenan, on behalf of Intertape, and advised that the Receiver's position with respect to the Intertape Consignment was as follows:
- i) Neither the June 2004 Intertape Agreement nor the September 2005 Intertape Agreement are true consignment arrangements;
  - ii) The course of conduct of Cover-All and Intertape in dealing with goods supplied by Intertape to the Company is better reflected by the terms of the September 2005 Intertape Agreement, which the Receiver views as the "operative agreement";
  - iii) The September 2005 Intertape Agreement is, in substance, a deferred sale agreement, as goods are required to be purchased when used, or after 90 days from the date of delivery; and

- iv) Although the September 2005 Intertape Agreement grants Intertape a security interest in goods delivered to Cover-All and the proceeds therefrom, there is no evidence that Intertape provided notice to the Bank with respect to the registration of its financing statement on March 6, 2008, claiming a PMSI over goods delivered by it to Cover-All.
84. On June 3, 2010, the Receiver confirmed its position in a letter to Heenan.
85. Heenan has advised the Receiver that it will advise Intertape of the Receiver's position and provide the Receiver with a response thereto, as soon as it practically can.
86. In the event that the Receiver and Intertape are unable to resolve this issue, the Receiver will consider whether it is appropriate to bring this matter forward to seek this Honourable Court's advice and directions.
87. The Intertape Goods have been excluded from the Sale Agreement.
88. On June 4, 2010, the Receiver entered into the Access Agreement, covering the Intertape Goods.

#### **RECEIVER'S RECEIPTS AND DISBURSEMENTS**

89. The Receiver's statement of receipts and disbursements for the period from April 23, 2010 to May 28, 2010 is summarized as follows:

STATEMENT OF RECEIPTS AND DISBURSEMENTS For the Period from April 23, 2010 to May 28, 2010	
<b>Receipts:</b>	\$
Cash on Hand	310,158
Collection of Pre Accounts Receivable	570,929
Miscellaneous Receipts	3,103
<b>Total Receipts</b>	<b>884,190</b>
<b>Disbursements:</b>	
Professional Fees - CCAA Administration Charge	378,125
Legal and Professional Fees - Receivership Proceedings	180,395
Payroll	474,164
Insurance	84,122
Rent	14,999
Other	9,043
<b>Total Disbursements</b>	<b>1,140,848</b>
<b>Excess of Disbursements over Receipts</b>	<b>(256,658)</b>
Receiver's Borrowings	500,000
<b>Cash on Hand</b>	<b>243,342</b>

90. Pursuant to paragraph 20 of the Receivership Order, the Receiver was authorized to borrow up to \$1 million, if required, of additional funding (the “**Receiver’s Borrowings**”) for the purpose of funding the exercise of its powers and duties conferred upon it under the terms of the Receivership Order. To date, the Receiver’s Borrowings have totaled \$500,000.
91. The Receiver has advised the Lenders that it may require additional borrowings in order to deal with short-term obligations prior to the closing of the Sale Transaction. However, the Receiver has taken steps to preserve the Company’s cash resources and anticipates that any further borrowing requirements will not require the Receiver to seek this Honourable Court’s permission for borrowing powers in excess of the Receiver’s Borrowings.
92. The Receiver respectfully requests that this Honourable Court approve the Receiver’s statement of receipts and disbursements.

## RESULTS OF THE SALE PROCESS

### OVERVIEW

93. Pursuant to paragraph 25 of the Receivership Order, the Receiver was authorized and directed to carry out a sale process in respect of the Property, or any material portions thereof, in accordance with the sale process outlined in Schedule “C” to the Receivership Order, which is attached hereto as Appendix “F” (the “**Sale Process**”).
94. In accordance with the terms of the Sale Process, the Receiver has solicited the marketplace to obtain offers to purchase all or a portion of the Property. A summary of the activities conducted by the Receiver is set out below.
95. Immediately after its appointment, on the Date of Appointment, the Receiver began contacting parties it had identified as potentially interested parties, as a result of its own independent research.
96. During the Sale Process, the Receiver responded to parties that contacted the Receiver through its website, and as a result of the Receiver’s discussions with the Company’s management, the Receiver contacted other parties including the Company’s senior management, management of the Corporate Dealerships, independent Cover-All dealers (the “**Independent Dealers**”) and parties that had directly approached the Monitor or the Company during the CCAA Proceedings.
97. The parties contacted by the Receiver during the Sale Process are collectively referred to in this First Report as the “**Prospective Purchasers**”. In total, the Receiver contacted 96 Prospective Purchasers.
98. The Receiver contacted Prospective Purchasers by telephone and email and sent Prospective Purchasers a two-page teaser, outlining the Sale Process and summarizing the opportunity to purchase some or all of the Property.
99. On April 28, 2010, the Receiver advertised the Sale Process in the national edition of the Globe & Mail newspaper.

100. The Receiver prepared a summary confidential information memorandum, outlining the Company's operations, historical financial information, products, management and other information that the Receiver viewed as relevant in the circumstances (the "**CIM**").
101. The Receiver established an electronic data room (the "**Data Room**"), which included, among other things:
- i) Background and historical information in respect of the Company and its operations, including a corporate organization chart;
  - ii) Brochures of the Company's products;
  - iii) The Company's contracts with Independent Dealers;
  - iv) Recent information obtained from a third party engineering firm, engaged by the Company during the CCAA Proceedings to review the Company's redesign of certain of its products lines and other general engineering and product design information (the "**Engineering Consultant**");
  - v) Financial information including, among other things:
    - a) historical financial statements;
    - b) listings of assets, including accounts receivable, inventory and real property;
    - c) leases;
    - d) inventory and asset counts undertaken by the Receiver subsequent to the Date of Appointment; and
    - e) Cover-All management's forecast "re-start" plan;

- vi) Employee-related information, including details with respect to employees by departments and functional areas and information with respect to employee remuneration; and
  - vii) The Titan Notice and the April 22 Notice.
102. Prospective Purchasers who expressed an interest in participating in the Sale Process were required to execute a confidentiality agreement or non-disclosure agreement prepared by the Receiver (the “**NDA**”). Prospective Purchasers who executed the NDA (the “**Interested Parties**”) were provided with the CIM and with access to the Data Room. In total, 38 Interested Parties signed the NDA and received the CIM. Interested Parties were also provided with the Receiver’s template asset purchase agreement (the “**Template APA**”).
103. Several Interested Parties actively reviewed information in the Data Room, with 9 Interested Parties accessing the Data Room in excess of 200 times each.
104. Interested Parties were invited to attend at the Head Office in order to:
- i) Meet with the Receiver and senior management;
  - ii) Attend management presentations and meetings; and
  - iii) Tour the Head Office, including conducting due diligence procedures, if requested, with respect to the Company’s manufacturing operations and to review the Property.

#### **THE BIDS**

105. Under the Sale Process, Interested Parties had until 5 p.m. Mountain time, on May 12, 2010 (the “**Bid Deadline**”), to submit written, non-binding expressions of interest (a “**Bid**”).
106. The results of the Sale Process, up to the Bid Deadline, is summarized as follows:



<b>SUMMARY OF SALE PROCESS TO BID DEADLINE</b>			
	<b>Strategic Parties</b>	<b>Financial Parties</b>	<b>Total</b>
Parties contacted	40	56	<b>96</b>
Parties provided with NDA	31	53	<b>84</b>
Parties signing NDA	18	20	<b>38</b>
Parties requesting CIM	18	20	<b>38</b>
Site visits / Management calls	8	2	<b>10</b>
<b>Bids received</b>	<b>9</b>	<b>1</b>	<b>10</b>

107. The Receiver received 10 Bids by the Bid Deadline, 5 of which were ‘en bloc’ Bids for all of the Property and 5 of which were for various parts of the Property.
108. The Receiver summarized the Bids, including the proposed purchase price that Interested Parties indicated in their respective Bids (the **“Bid Summary”**). The Receiver is seeking the approval of the Sale Transaction and, accordingly, in the event this Honourable Court does not grant the Approval and Vesting Order (as previously defined) or that the Sale Transaction does not close, the Receiver is of the view that efforts to re-market the Property may be impaired if the Bid Summary is made public at this time. The Receiver is of the view that it is preferable for the Bid Summary to remain confidential until such time as the Sale Transaction closes. Accordingly, the Receiver proposes to provide the Bid Summary to this Honourable Court as Confidential Appendix **“A”**, and requests a temporary sealing order in respect of the Bid Summary, sealing the Bid Summary until the Sale Transaction closes.
109. On May 14, 2010, the Receiver reviewed the Bid Summary with the Lenders and sought the Lenders’ views with respect to the Bids received. As a result of its discussions with the Lenders, the Lenders agreed with the Receiver’s recommendation to proceed to attempt to negotiate a binding asset purchase agreement, subject only to Court approval, (an **“APA”**) in respect of three parties whose Bids were for all or substantially all of the Property (the **“APA Bidders”**).

## THE OFFER

110. Between May 14, 2010 and May 20, 2010, the APA Bidders engaged in further due diligence with respect to the Property, which included, for some or all of the APA Bidders:

- i) Meeting with employees;
- ii) Conference calls with certain of the Independent Dealers and management of certain of the Corporate Dealerships;
- iii) Ongoing site visits at the Head Office;
- iv) An environmental review of the Head Office property;
- v) Meetings and discussions with the Engineering Consultant; and
- vi) In-depth discussions with the Receiver in respect of concerns or questions the Receiver had with the Template APA, if any.

111. The deadline for the submission of a binding APA, subject only to Court approval, was May 21, 2010, at 5 p.m. Mountain time (the “**APA Deadline**”). The Receiver received one binding APA by the APA Deadline, as two of the three APA Bidders advised the Receiver on May 21, 2010 that they would not be submitting a binding APA (the “**Offer**”). The Offer was made by Norseman Structures Inc. (the “**Norseman**”) a Canadian-based competitor of Cover-All. The Offer was submitted using the Template APA and was in a form acceptable to the Receiver. However, the Offer required certain clarifications and did not contain enough detail in some respects regarding:

- i) The terms and conditions associated with that portion of the purchase price that comprised non-cash consideration; and
- ii) The terms and conditions in respect of the collection of the Company’s accounts receivable, for which Norseman proposed an agency relationship with the Receiver.

112. On May 25, 2010, the Receiver reviewed the Offer with the Lenders and recommended to the Lenders that the Receiver proceed to clarify the Offer and finalize an APA in respect thereof. The Lenders advised the Receiver that, subject to receiving internal approvals customary for such transactions, the Lenders concurred with the Receiver's recommendation.

#### **THE SALE TRANSACTION**

113. On May 28, 2010, the Receiver and Norseman executed a binding APA (the "**Norseman APA**") in respect of the purchase of substantially all of the Property (the "**Purchased Assets**"). Key elements of the agreement between Norseman and the Receiver (the "**Sale Transaction**") include:
- i) The purchase price is payable by way of an upfront cash payment and a note, payable over the next three years;
  - ii) Norseman will collect the Company's accounts receivable and remit a portion of the net proceeds therefrom to the Receiver;
  - iii) The Purchased Assets include substantially all of the Company's assets in North America, but exclude all non-North American assets, the Allied PMSI Goods and the Intertape Goods; and
  - iv) No significant conditions, other than the approval of this Honourable Court.
114. For the reasons noted above, with respect to the sealing of the Bid Summary, the Receiver is of the view that the Norseman APA should be sealed until the Sale Transaction closes. Accordingly, a redacted version of the Norseman APA, redacting commercially sensitive information such as the purchase price, is attached hereto as Appendix "**G**". The Receiver proposes to provide the unredacted Norseman APA to this Honourable Court as Confidential Appendix "**B**", and requests a temporary sealing order in respect of the Norseman APA, sealing the Norseman APA until the Sale Transaction closes.

#### **RECEIVER'S RECOMMENDATION**

115. The Sale Process approved by this Honourable Court was expedited, out of necessity, as delays in re-starting the business jeopardized its ability to be sold as a going concern, because:
- i) Customers have, for the most part, refused to pay outstanding accounts owing to the Company, largely as a result of the uncertainty created by the Company resulting from the Titan Notice and the April 22 Notice;
  - ii) The business was shut down in March 2010, after the issuance of the Titan Notice and the majority of the Company's employees were terminated. Accordingly, new orders were not capable of being accepted or filled, and customers have turned to alternative suppliers; and
  - iii) Many of the Independent Dealers may already have established new business relationships with competitors.
116. The Receiver is of the view that the Sale Process was fair and transparent and that the market for the Property was properly canvassed, in the circumstances. Significant interest was expressed in the Property as evidenced by the number of Prospective Purchasers and Interested Parties who examined the opportunity to purchase the Property. To the best of its knowledge, the Receiver believes that all reasonable requests for information made to the Receiver by Prospective Purchasers, Interested Parties or the APA Bidders were satisfied.
117. The Sale Transaction provides an opportunity for the Cover-All business to continue, under the management of a strategic purchaser, familiar with the industry and Cover-All's products, customers and Independent Dealers and provides the prospect of future employment for some of the Remaining Employees and Former Employees. In this respect, the Receiver understands that Norseman is already in the process of making arrangements with the majority of the Remaining Employees (whose employment was terminated by the Receiver

on May 31, 2010 as discussed above) and has indicated to the Receiver that it intends to consider the hiring of some of the Former Employees over time.

118. The Sale Process required the Receiver to apply to this Honourable Court within two business days of the APA Deadline for the approval of the Sale Transaction, on reasonable notice to parties on the service list at that time. Accordingly, the Receiver was to have applied for the approval of the Sale Transaction by May 26, 2010. Pursuant to paragraph 25 of the Receivership Order, the Sale Process was to be conducted “...*substantially in accordance with ... the Sale Process*...”. In the circumstances, given the expedited nature of the Sale Process and the adherence to the Bid Deadline and the APA Deadline, the Receiver respectfully submits to this Honourable Court that its activities with respect to the sale of the Property were conducted substantially in accordance with the Sale Process.

119. The Receiver respectfully requests this Honourable Court grant:

- i) the Approval and Vesting Order, approving the Sale Transaction and vesting the Company’s right, title and interest in and to the Purchased Assets in Norseman, free and clear of all encumbrances;
- ii) an order sealing the unredacted version of the Norseman APA and the Bid Summary, pending the closing of the Sale Transaction; and
- iii) an order approving the activities of the Receiver as described in this First Report and the conduct of and completion of the Sale Process.

All of which is respectfully submitted on this 4<sup>th</sup> day of June, 2010.

**PricewaterhouseCoopers Inc.**  
in its capacity as Receiver of  
the Cover-All Group of Companies

A handwritten signature in black ink, appearing to read 'Greg Prince', with a stylized, flowing script.

Greg Prince  
Senior Vice President

## **APPENDIX “B”**

Action No. \_\_\_\_\_

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS  
AMENDED;

AND IN THE MATTER OF THE *JUDICATURE ACT*, R.S.A. 2000, c. J-2, AS AMENDED;

AND IN THE MATTER OF THE RECEIVERSHIP OF COVER-ALL HOLDING CORP.,  
COVER-ALL BUILDING SYSTEMS INC. AND THOSE ENTITIES LISTED IN SCHEDULE  
"A" HEREOF

B E T W E E N:

CANADIAN IMPERIAL BANK OF COMMERCE  
as administrative agent

Applicant

-and-

COVER-ALL HOLDING CORP., COVER-ALL BUILDING SYSTEMS INC. AND THOSE  
ENTITIES LISTED IN SCHEDULE "A" HEREOF

Respondents

**AFFIDAVIT OF JOHN MCMURRAY**  
**(Sworn 20 April 2010)**

I, **JOHN MCMURRAY**, of the City of Burlington, in the Province of Ontario, **MAKE  
OATH AND SAY:**

1. I am a General Manager at Canadian Imperial Bank of Commerce ("**CIBC**"). In this role, I am responsible for the overall administration of the credit facilities extended to Cover-All Building Systems Inc. ("**CBSI**") and the other entities listed in Schedule "A" hereof (together with CBSI, the "**Debtors**") and therefore have personal knowledge of the matters hereinafter deposed to. Where my knowledge is stated to be based on information and belief, I believe such information to be true.

2. This affidavit is sworn in support of CIBC's application for an order, *inter alia*:
- (a) if necessary, lifting the stay of proceedings (the "**CCAA Stay**") imposed by Order of the Honourable Mr. Justice S. J. LoVecchio, dated 24 March 2010, (the "**CCAA Initial Order**") in Court File No. 1001-04270 (the "**CCAA Proceedings**") for the purpose of commencing the application for the appointment by the Court of PricewaterhouseCoopers Inc. ("**PwC**") as receiver of the Debtors;
  - (b) appointing PwC as receiver (the "**Receiver**"), without security, of all of the assets, undertakings and property of the Debtors, including all proceeds thereof (the "**Property**"); and
  - (c) approving an expedited sale process (the "**Sale Process**") in respect of the Property.

**Cover-All and the Senior Lenders**

3. The Debtors are the subject of the CCAA Initial Order. A copy of the Initial CCAA Order is attached as **Exhibit "A"**.
4. The Debtors have been in the business of manufacturing pre-engineered membrane building systems for non-residential use. The Debtors' assets include real estate located in Saskatchewan, leased offices located in Alberta, inventory and equipment related to the pre-engineered building systems business, and outstanding accounts receivable. The Debtors are all controlled, directly or indirectly, by CBSI, which has its head office in Calgary, Alberta.
5. A detailed description of the structure and business of the Debtors is included in the Affidavit of Nathan Stobbe, sworn 24 March 2010, (the "**Stobbe Affidavit**") in connection with the Debtors' application for an Initial Order in the CCAA Proceedings. A copy of the Stobbe Affidavit, without exhibits, is attached as **Exhibit "B"**.
6. CIBC is the Administrative Agent for the first and second ranking secured creditors of the Debtors. More specifically, CIBC is the Administrative Agent for itself and The Bank of Nova Scotia under a Senior Credit Agreement, dated 23 October 2007, as between CIBC and



CBSI. CIBC is also the Administrative Agent for itself and Roynat Capital Inc. under a Subordinate Credit Agreement, dated 23 October 2007, as between CIBC and CBSI. With the exception of NorthStar Cover-All, LLC and NorthStar Cover-All, Inc., all of the other Debtors are guarantors of CBSI's obligations under the Senior Credit Agreement and the Subordinate Credit Agreement (the "**Guarantors**").

7. The Senior Credit Agreement provides for:

- (a) a term loan in the principal amount of \$40,000,000;
- (b) a revolving loan in the maximum aggregate principal amount at any time outstanding not to exceed \$10,000,000; and
- (c) operating loans in an aggregate principal amount at any time outstanding not to exceed \$4,000,000.

The Subordinate Credit Agreement provides for an additional term loan to CBSI in the principal amount of \$15,000,000. The principal amount owing under the Senior Credit Agreement as of April 20, 2010 is approximately \$40,820,000. The principal amount owing under the Subordinate Credit Agreement as of April 20, 2010 is approximately \$15,000,000. Copies of the Senior Credit Agreement and the Subordinate Credit Agreement are attached hereto as **Exhibit "C"** and **Exhibit "D"** respectively.

8. Pursuant to a general security agreement and various mortgages and pledge agreements, CBSI and each of the Guarantors granted a security interest to CIBC over all of their respective assets to secure CBSI's obligations under the Senior Credit Agreement. Similarly, CBSI and each of the Guarantors have also granted a security interest to CIBC over all of their respective assets to secure CBSI's obligations under the Subordinate Credit Agreement. Copies of the principal security agreements granted by the Debtors to and for the benefit of the Lenders under the Senior Credit Agreement and the Subordinate Credit Agreement are attached hereto as **Exhibit "E"**.

9. Attached as **Exhibit "F"**, **"G"** and **"H"** are copies of search results in respect of Personal Property Security Act searches conducted in Alberta, Saskatchewan and Ontario.

**Default Under the Senior Credit Agreement**

10. The Debtors encountered financial difficulty in 2008 as a result of the global recession. These difficulties were exacerbated by the identification of potential engineering issues with one model of the Debtors' product, which necessitated a temporary halt in production of all models while internal and external safety reviews were conducted. Those safety reviews are ongoing. The circumstances giving rise to the Debtors' problems and the reasons for their urgent application for relief under the CCAA are set out in the Stobbe Affidavit.

11. As a result of their financial difficulties, the Debtors were unable to meet certain financial covenants under the Senior Credit Agreement, resulting in an event of default under that agreement. The Debtors received a formal notice of default from CIBC on 16 March 2010.

12. On 24 March 2010 the Debtors applied for and were granted protection from their creditors by the Initial Order in the CCAA Proceedings.

**The Need for a Receiver**

13. The Initial CCAA Order granted the Debtors a stay of proceedings up to 23 April 2010 to provide the Debtors, the Lenders and Ernst & Young Inc. ("E&Y"), the court-appointed monitor (the "Monitor") time to devise an appropriate restructuring strategy. In consultation with the Debtors and the Monitor, the Lenders have come to the conclusion that the most efficient way to move forward would be through a receivership proceeding, so that an orderly sale of all of the assets of the Debtors can be pursued.

14. When the Debtors applied for protection under the CCAA, the Lenders supported the application. At that time the course forward was uncertain. The Debtors took the view that because of the need to review certain of its designs, it would be prudent to cease operations, lay off most of their employees and cease selling and installing their products.

15. At the time the Debtors applied for and obtained the Initial CCAA Order, the Debtors had not foreclosed the possibility of a restructuring pursuant to which the Debtors would resume their businesses in the future.

16. Following ongoing discussions between the Debtors, their advisors, the Lenders and the Lenders' advisors, the Lenders have concluded that there is no real prospect of a restructuring that would see the Debtors resume their business operations. I understand that Mr. Stobbe and other senior management of the Debtors share that view.

17. Before the commencement of the CCAA proceedings, the Lenders could have demanded payment of all amounts owing and set-off all credit balances in the accounts of the Debtors at CIBC against the amounts owing to the Lenders. The Lenders did not take that course. Instead the Lenders reduced the operating credit available to the Debtors but agreed that the Debtors could continue to have access to and use their existing credit balances and future accounts receivable collections. That is, the Lenders have funded the CCAA proceedings to date.

18. Notwithstanding the support provided by the Lenders, it is anticipated that the Debtors will exhaust their cash resources in a matter of days.

19. The Lenders are not prepared to make additional credit available to the Debtors in the CCAA proceedings either under the existing credit agreements or on a super-priority basis.

20. In these circumstances, the Lenders have come to the conclusion that the best prospect of finding going concern value is through an expedited sale process. I do not believe that conclusion is disputed by the Debtors and I understand that the Debtors will apply to the Court for an order terminating the CCAA Proceedings in order to facilitate the transition to receivership proceedings.

21. The Initial Order contemplated that the Lenders (as well as the Debtors) might reach such a conclusion and provided, in paragraph 33, that the Lenders would be unaffected creditors in the CCAA Proceedings and would be entitled to enforce any and all rights and remedies under the Senior Credit Agreement and the Subordinate Credit Agreement on 2 business days notice. Accordingly, on 16 April 2010, counsel for the Lenders delivered a letter to counsel for the Debtors, with a copy to the CCAA Monitor and its counsel, indicating the Lenders' intention to bring an application for the appointment of PwC as Receiver of the Property. A copy of the letter to counsel for the Debtors, dated 16 April 2010, is attached hereto as **Exhibit "I"**.

22. By letter dated 20 April 2010 Borden Ladner Gervais LLP ("BLG"), the lawyers for the Lenders, delivered a Notice of Intention to Enforce Security pursuant to the provisions of the *Bankruptcy and Insolvency Act* to Goodmans LLP, counsel to the Debtors. Attached hereto and marked as **Exhibit "J"** is a copy of the BLG letter dated 20 April , 2010 attaching a copy of the Notice of Intention to Enforce Security.

23. PwC has been engaged as financial advisor to CIBC throughout the CCAA proceedings and is familiar with the property and business of the Debtors. They have already taken steps to identify and assess the value of the assets of the Debtors, and to devise a marketing strategy for the sale of those assets, including: retaining independent professionals to assess the value of certain real estate owned by the Debtors and dispatching PwC professionals to assess the value of the Debtors' Property.

24. Based on the foregoing, I am of the view that PwC is well placed to act as receiver of the Debtors. PwC is a licensed trustee and has signed a consent to act as receiver of the Debtors in this proceeding. In addition, E&Y are the auditors for CIBC and are therefore conflicted to act as Receiver. A copy of the PwC consent is attached hereto as **Exhibit "K"**.

### **The Sale Process**

25. If PwC is appointed as requested, CIBC is seeking approval of a sale process to be carried out by the receiver to market and sell all of the assets of the Debtors (the "**Sale Process**").

26. I understand that PwC, at the request of the Lenders, will file an affidavit containing a report with the Court, as proposed Receiver, outlining what is proposed in terms of a sale process for the Property, subject to Court approval.

27. I am advised by Gregory Prince, a partner at PwC, and do verily believe that a number of prospective purchasers have already expressed an interest in the assets of the Debtors, including certain parties related to the Debtors, even though the business is not presently operating.

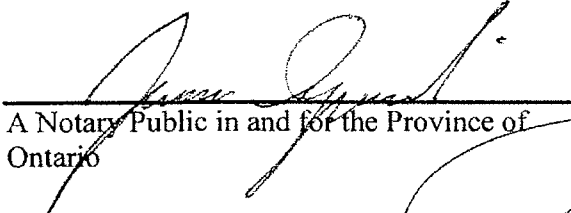
28. In light of the fact that the business is not operating, the Lenders are of the view that an efficient, short and transparent sales process makes the most sense.

29. The Lenders directly and through PwC have consulted with the Debtors and the Monitor and there is no disagreement on the proposed approach. The Lenders are further of the view that the Monitor has acted professionally and properly throughout the CCAA Proceedings.

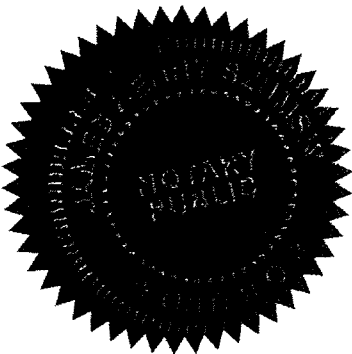
**Conclusion**

30. The Lenders are of the view that a receivership is the most fair and expeditious method to dispose of the assets of the Debtors and achieve the maximum recovery for all stakeholders. Such a result was contemplated by the Initial CCAA Order, which provided the Lenders with a mechanism in paragraph 33 to enforce their rights and remedies under the Senior and Subordinate Credit Agreements. PwC is well acquainted with the business and property of the Debtors and it is appropriate for PwC to be appointed as Receiver.

SWORN before me at the City of Toronto, in )  
the Province of Ontario, this 20<sup>th</sup> day of April, )  
2010. )

  
A Notary Public in and for the Province of )  
Ontario )

  
\_\_\_\_\_  
JOHN MCMURRAY



No: \_\_\_\_\_

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY

---

IN THE MATTER OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS  
AMENDED

AND IN THE MATTER OF THE *JUDICATURE ACT*,  
R.S.A. 2000, c. J-2, AS AMENDED

AND IN THE MATTER OF THE RECEIVERSHIP OF  
COVER-ALL HOLDING CORP., COVER-ALL  
BUILDING SYSTEMS INC. AND THOSE ENTITIES  
LISTED IN SCHEDULE "A" HEREOF

---

**AFFIDAVIT OF JOHN MCMURRAY**

---

**BORDEN LADNER GERVAIS LLP**

1000 Canterra Tower  
400 - 3<sup>rd</sup> Avenue S.W.  
Calgary, AB T2P 4H2

**Josef G.A. Krüger, Q.C.**

Tel: (403) 232-9563

Fax: (403) 266-1395

**Michael MacNaughton**

Tel: (416) 367-6646

Fax: (416) 682-2837

**Roger Jaipargas**

Tel: (416) 367-6266

Fax: (416) 361-7067

## **APPENDIX “C”**

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY**

**IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF COVER-ALL HOLDING CORP., COVER-  
ALL BUILDING SYSTEMS INC. AND THOSE ENTITIES LISTED  
IN SCHEDULE "A" HEREOF**

**MONITOR'S CERTIFICATE  
(Re: Payment of Outstanding Obligations)**

**RECITALS**

- A. Pursuant to an Order of the Honourable LoVecchio of the Court of Queen's Bench of Alberta (the "Court") dated March 24, 2010 (the "Initial Order"), Ernst & Young Inc. was appointed as the monitor (the "Monitor") in the proceedings commenced by Cover-All Holding Corp., Cover-All Building Systems Inc., Cover-All U.S. Holding Corp., Summit Structures, LLC, Quick Structures, LLC, Cover-All Holdings U.S., LLC, Summit Structures U.S., LLC, Summit Management, LLC, Eastern Cover-All, Inc., NorthStar Cover-All, LLC and NorthStar Cover-All, Inc. (collectively, "Debtors") under the *Companies' Creditors Arrangement Act* (the "CCAA Proceedings").
- B. Pursuant to an Order of the Court dated April 23, 2010, the Court terminated the Debtors' CCAA Proceedings (the "Termination Order"). On the same date, the Court appointed PricewaterhouseCoopers Inc., as receiver (the "Receiver") of the property, assets and undertaking of the Debtors and Summit Structures Limited in Action No. 1001-05915.
- C. The Termination Order required the Monitor to file a certificate with the Court upon receiving confirmation from the Receiver that all outstanding obligations covered by the Charges (as defined in the Initial Order) have been paid by the Receiver.



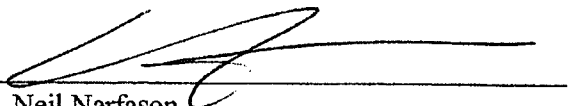
THE MONITOR CERTIFIES the following:

1. The Monitor provided the Receiver with a schedule indicating all outstanding obligations covered by the Charges that had not been paid, including reasonable estimates where actual amounts were not known by April 30, 2010 (the "Outstanding Charged Obligations Schedule");
2. The Receiver provided the Monitor with written notice that the Receiver had paid all amounts set out in the Outstanding Charged Obligations Schedule on July 16, 2010; and
3. There are no outstanding claims under the Charges.

**DATED** at the City of Calgary, in the Province of Alberta, this 19 day of July, 2010.

**ERNST & YOUNG INC.**, in its capacity as monitor of Cover-All Holding Corp., Cover-All Building Systems Inc. and those entities listed in Schedule "A" hereof

Per:

  
Neil Narfason

**SCHEDULE "A"**  
**DEBTORS**

Cover-All Holding Corp.

Cover-All Building Systems Inc.

Cover-All U.S. Holding Corp.

Summit Structures, LLC

Quick Structures, LLC

Cover-All Holdings U.S., LLC

Summit Structures U.S., LLC

Summit Management, LLC

Eastern Cover-All, Inc.

NorthStar Cover-All, LLC

NorthStar Cover-All, Inc.

**IN THE COURT OF QUEEN'S BENCH OF  
ALBERTA  
JUDICIAL CENTRE OF CALGARY**

**IN THE MATTER OF THE *COMPANIES'*  
*CREDITORS ARRANGEMENT ACT*, R.S.C.  
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF  
COMPROMISE OR ARRANGEMENT OF  
COVER-ALL HOLDING CORP., COVER-  
ALL BUILDING SYSTEMS INC. AND  
THOSE ENTITIES LISTED IN SCHEDULE  
"A" HEREOF**

---

**MONITOR'S CERTIFICATE  
(Re: Approval and Vesting Order)**

---

**OSLER, HOSKIN & HARCOURT LLP**

Barristers & Solicitors  
450 1<sup>st</sup> Street, S.W.  
Suite 2500, TransCanada Tower  
Calgary, Alberta T2P 5H1

Carole J. Hunter  
Telephone: (403) 260-7055  
Facsimile: (403) 260-7024  
File:

Solicitors for Ernst & Young Inc., in its capacity  
as monitor of the Applicants

