

**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" HERETO**

APPLICANTS

AFFIDAVIT OF NATHAN STOBBE

I, NATHAN STOBBE, of the City of Saskatoon, in the Province of Saskatchewan,
MAKE OATH AND SAY:

I. INTRODUCTION

1. I have been President and Chief Executive Officer of Cover-All Building Systems Inc. ("CBSI") since June of 2002. I am also a director and/or an officer of Cover-All Holding Corp. ("Holdco"), CBSI and certain of the subsidiaries that are owned either directly or indirectly by Holdco and CBSI. As such, I have personal knowledge of the matters to which I depose in this Affidavit. Where I do not possess personal knowledge, I have stated the source of my information and in all such cases believe it to be true.

2. This Affidavit is sworn in support of a motion for an Order protecting Holdco, CBSI and those entities listed in Schedule "A" hereto (collectively, the "Cover-All Group") from their

creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA").

3. The principal objective of these proceedings is to provide the Cover-All Group with an opportunity to effect a successful restructuring of its business, which may include a sale of all or part of its assets, property, business and undertaking (collectively, the "**Property**"). In order to accomplish this objective, the Applicants seek protection of this Honourable Court from all proceedings and remedies taken or that might be taken in respect of the Applicants.

II. BACKGROUND

4. The Cover-All Group is the leading manufacturer of pre-engineered membrane building systems for the North American and European non-residential construction market. Operating through a world-wide dealer network, CBSI and its directly and indirectly owned subsidiaries provide engineering, manufacturing and design build services to customers (the "**Cover-All Business**").

(A) Overview of the Cover-All Group and the Cover-All Business

(i) The Pre-Engineered Building Systems Industry

5. The Cover-All Group participates in designing and building prefabricated, permanent and portable buildings.

6. Pre-engineered non-residential buildings have become a highly accepted method of construction for low-rise, non-residential structures such as retail stores, factories, warehouses, distribution centers, religious, athletic and event centres, office buildings, banks and schools.

7. Pre-engineered non-residential building systems are constructed from pre-engineered components such as steel, concrete, wood and fabric membrane, that are produced in a factory and either assembled at the plant or delivered to the building site for final assembly. In contrast to conventional construction methods (i.e. structures that are not pre-engineered) wherein components are cut, fitted, joined and assembled on-site, pre-engineered systems offer several benefits, including shorter construction time, lower construction costs, greater efficiencies and flexibility of design.
8. The size of the U.S. market for pre-engineered non-residential building systems was US\$8 billion in 2009 and the size of the Canadian market was \$2 billion in 2009.
9. The market for pre-engineered buildings system consists primarily of the following five broad customer segments:
- (a) *industrial*: including manufacturing plants, warehousing, distribution and hangar facilities;
 - (b) *institutional*: including correctional facilities, libraries and health care facilities;
 - (c) *office*: including one-story, low-rise designs;
 - (d) *commercial*: including retail stores and hospitality facilities; and
 - (e) *agricultural and other markets*: including grain and crop storage facilities, garages, barns and the military market.
10. The fabric-covered building industry in North America is highly fragmented. There are a limited number of large companies that offer a broad range of products; however, there are also

numerous small regional manufacturers that operate in a single or limited product segment of the industry.

11. The Cover-All Group is the largest supplier of pre-engineered membrane building systems in North America, with an estimated market share of 25%. With approximately 35,000 of its storage buildings located around the world, the Cover-All Group is one of the most recognized and recommended pre-engineer membrane structure manufacturers in the world.

(ii) **Cover-All Business**

12. The Cover-All Business involves the manufacture of steel-framed, fabric covered buildings for use in agricultural, industrial, equine, government, commercial, disaster relief, military and recreational applications. The Cover-All Group also provides project management and installation services.

13. The Cover-All Business is carried out by CBSI, the entities that comprise the Cover-All Group, and various corporately-owned and independently authorized dealers. Specifically, CBSI manufactures building models and sells them to its subsidiaries and dealers at wholesale prices, which, in turn, sell these structures to retail and corporate customers. In most instances, the subsidiaries and dealers subsequently install the structures for the customers. The subsidiaries and dealers are located all over the world, including in Canada, the U.S., the United Kingdom and Germany.

14. CBSI controls, directly or indirectly, the subsidiaries that are included in Schedule "A" hereto. There are also approximately 80 dealers in North America and 24 dealers in Europe that solicit local sales and install the building structures supplied by CBSI. Of these dealers, CBSI directly or indirectly owns three in Canada, three in the U.S., one in the U.K. and one in

Germany. Dealers in North America have entered into written contracts with CBSI. The dealers in Europe do not have written contracts with the Cover-All Group; however, CBSI leads the arrangements and has a relationship with the European dealers.

15. The Cover-All Group has implemented modern, best-in-class information systems to support its activities and ensure a high level of sales and operations efficiency. The Cover-All Group has developed and implemented software solutions to increasingly automate manual processes and has developed software solutions specific to the Cover-All Group's needs.

(a) *Manufacture of Pre-Engineered Membrane Building Systems*

16. In the mid-1990's, the Cover-All Group pioneered the use of pre-engineered membrane building systems ("PMBS") for permanent structures in North America. Prior to the mid-1990's, PMBS were predominantly used for temporary structures.

17. PMBS structures offer several advantages over metal or wood building systems, including superior interior environment (i.e. increased natural light), speed of delivery (i.e. PMBS structures can be designed, engineered, manufactured and installed in a much shorter timeframe) and superior corrosion protection.

18. The Cover-All Group engineers, fabricates, sells and installs PMBS structures that range from 5 to 300 feet in width, and up to any length. Independent contract engineering firms review and stamp projects that require site specific engineering. Existing and new product designs and concepts other than Quick Structures (which do not involve engineering design) are reviewed and approved by, among others, independent contract engineering firms in each of Canada, the U.S. and the U.K.

19. CBSI designs and manufactures twelve different building models: Titan, Titan Low Slope, Meridian, Gemini, Icon, Medallion, Arch, Crescent, Guardian, Custom, Legend and Utility.

20. The Titan and Legend building series² are the most popular building models sold by the Cover-All Group. In 2009, the Titan and Legend building series accounted for approximately 90% of the Cover-All Group's building revenue.

21. The Cover-All Business has three main divisions: Cover-All Building Systems, Summit Structures, and Quick Structures, each of which targets a different market segment.

(1) Cover-All Building Systems Division

22. The Cover-All Building Systems ("CABS") division is the Cover-All Group's flagship brand, positioned as a mid-tier, high quality brand and sold, installed and serviced by the Cover-All Group's dealer network.

23. The CABS division is responsible for selling and distributing all CABS branded products including the Legend, Titan, Meridian and Medallion Building series.

24. The majority of CABS dealers are primarily dedicated to CABS products or have divisions wholly committed to CABS products.

25. The CABS division is further subdivided into three divisions: Cover-All Central Prairies, Cover-All Building Systems of Ontario and Cover-All Alberta.

26. In 2009, sales from the CABS division were \$62 million, representing 56% of the Cover-All Group's revenue.

(2) Summit Structures Division

27. The Summit Structures division concentrates on larger, higher value projects that require more engineering and customization, and typically involve construction project management.

28. The Summit Structures division sells its products directly to customers through the Summit Structures divisional sales force instead of through a dealer network.

29. In 2009, sales from the Summit Structures division were \$9 million, representing 8% of the Cover-All Group's revenue.

(3) Quick Structures Division

30. The Quick Structures brand provides smaller, lower-priced structures for non-engineered applications.

31. The Quick Structures division sells its products through its network of dealers and retailers across North America and Europe. In addition to independent dealers, Quick Structures are also sold through a significant number of CABS.

32. In 2009, sales from the Quick Structures division were \$5 million, representing 4% of the Cover-All Group's revenue.

(b) Project Management and Installation Services

33. In addition to the Cover-All Group's manufactured products, the Cover-All Group provides value-added services including project management and installation services. In 2009, sales from project management and installation services were \$36 million, representing 32% of the Cover-All Group's revenue.

34. Through the Cover-All Group's Summit Structures division and its corporate-owned dealers, the Cover-All Group provides building project management services, including coordination of design professionals, sub-contractors, contract workers and other services required to complete the overall construction project.

35. The Cover-All Group provides installation services to its customers and dealers primarily through its ownership interest in NorthStar Cover-All, LLC. North-Star Cover-All, LLC employs approximately 45 individuals who are dedicated to installation of the Cover-All Group's products and who travel throughout North America to provide the labour and expertise to install these products.

36. Additionally, the Cover-All Group's operations include after-sales service and warranty support to assist in the efficient processing of orders and the monitoring of product quality.

(c) Costs

37. The Cover-All Group's most significant costs are for steel, fabric and transportation.

38. Steel represents a large portion of the Cover-All Group's total manufacturing costs, which costs are therefore subject to market fluctuations in the price of steel. Similarly, the price of polyethylene fabric, which is typically used in the Cover-All Group's structures, is driven by the price of natural gas and is also subject to market fluctuations. Transportation of finished goods that are distributed from the plant to the customer are coordinated and procured by the Cover-All Group and the transportation costs are charged out to customers.

(iii) History of the Cover-All Group

39. The Cover-All business was founded in 1993. In its early years, the company concentrated on sales to agricultural end markets, including hay storage, cattle, and dairy.
40. By 1995, dealer networks were established in order to sell products outside of Saskatchewan to customers in Canada and the U.S.
41. The Cover-All business expanded into commercial and industrial markets in 1998. Shortly thereafter, the company launched the TITAN building series, which, at upwards of 160 feet wide, represented Cover-All's largest building at the time.
42. In and around 2000, after the registered name of the company was changed from 629224 Saskatchewan Ltd. to Cover-All Building Systems Inc., CBSI made the decision to formally expand outside of Saskatchewan in order to penetrate different geographic regions and expand the pool of potential purchasers.
43. In 2003, CBSI established a European dealer network, thereby providing the company with access into the European market. In 2005, CBSI acquired its largest dealer and in doing so gained access into Ontario and New York.
44. In 2007, Cover-All Holdings U.S., LLC acquired 51% of the installation company NorthStar Cover-All, LLC which was, at the time, the largest PMBS installation company in North America. In 2008, Cover-All Holdings U.S., LLC acquired the remaining 49% of NorthStar Cover-All, LLC.
45. Also in 2007, CBSI acquired 95% of its dealer in Germany to assist in its access to the European market.

(iv) Ownership of the Cover-All Group

46. Prior to October 2007, CBSI and the various direct and indirect subsidiaries that are listed in Schedule "A" were wholly-owned by management, Tri-West Capital Private Equity Fund and other former management as shareholders of the ultimate parent company. However, in October 2007, Audax Private Equity Fund II, L.P. and certain related entities (collectively, "**Audax**") acquired an 85% interest in the company, invested through a Luxembourg entity. As of the date of the swearing of this Affidavit, Audax and management (who invested through 101108501 Saskatchewan Ltd.) are the owners of Holdco, CBSI and the subsidiaries listed in Schedule "A", as shareholders of Cover-All Holdings, S.a.r.l and 101108501 Saskatchewan Ltd., respectively.

(v) Corporate Structure of the Cover-All Group

47. CBSI's registered head office is located at 4500, 855-2nd Street S.W., Calgary, Alberta. The Cover-All Group is managed and operated on a consolidated basis from its headquarters in Saskatoon, Saskatchewan.

48. A copy of the corporate organization chart for the Cover-All Group is attached hereto as Exhibit "A".

(a) Canadian Entities

(1) 101108501 Saskatchewan Ltd.

49. 101108501 Saskatchewan Ltd. was formed under the laws of the Province of Saskatchewan by the management of the Cover-All Group to pass investments through it to Holdco. Other than its shares in Holdco, 101108501 Saskatchewan Ltd. does not have any property or assets in Canada, is not a party to the lending arrangements with CIBC, as

administrative agent, related to the Cover-All Group, and is therefore not an applicant in these proceedings.

(2) Holdco

50. Holdco is an unlimited liability company that was incorporated under the laws of the Province of Nova Scotia on October 9, 2007. The registered head office of Holdco is located at 900 – 1959 Upper Water Street, Halifax, Nova Scotia.

51. Holdco is a guarantor of the obligations of CBSI to Canadian Imperial Bank of Commerce (“**CIBC**”) and the other lenders (collectively, the “**Lenders**”) under the Senior Credit Agreement and the Subordinate Credit Agreement (each as defined below) (the “**Credit Agreement Obligations**”).

52. I am a director of Holdco, as are Andrew Fortier, Keith R. Polumbo and Steven R. Loose. I am the President of Holdco and its other officers are Steven R. Loose (Vice-President) and Andrew Fortier (Vice-President and Secretary).

53. Holdco’s ~~only~~primary assets are 100% of the common shares that it holds in Cover-All U.S. Holding Corp. and CBSI.

54. Holdco is an Applicant in these proceedings.

(3) CBSI

55. CBSI was originally incorporated as 629224 Saskatchewan Ltd. under the laws of the Province of Saskatchewan on September 10, 1999. A name change was filed effective February 11, 2000 in which the name of the corporation was changed from 629224 Saskatchewan Ltd. to Cover-All Building Systems Inc.

56. After a series of amalgamations, and discontinuances and continuances from the Provinces of Saskatchewan and Ontario to the Province of Alberta, Cover-All Business Systems Inc. amalgamated with Cover-All Alberta Ltd. on August 17, 2008 to form CBSI, an Alberta corporation.
57. CBSI's registered head office is 4500, 855 – 2nd Street S.W., Calgary, Alberta. CBSI is a wholly-owned subsidiary of Holdco.
58. In addition to Alberta, CBSI is registered to conduct business in Ontario, British Columbia, Saskatchewan and Manitoba.
59. CBSI is the borrower under the Senior Credit Agreement and the Subordinate Credit Agreement.
60. I am a director of CBSI, as are Andrew Fortier, Steven R. Loose and Keith R. Palumbo. I am the President and CEO of CBSI, and its other officers are Todd Payne (Secretary, Treasurer and Chief Financial Officer), Paul Johnson (Chief Operating Officer) and Andrew Fortier (Secretary).
61. CBSI directly owns 100% of the shares or units, as applicable, of the following four subsidiaries: Summit Structures, LLC; Quick Structures, LLC; Cover-All Holdings U.S., LLC; and Summit Structures Limited.
62. CBSI is an Applicant in these proceedings.

(b) U.S. Entities

(1) Cover-All U.S. Holding Corp.

63. Cover-All U.S. Holding Corp. is a shell entity that was incorporated in Delaware on October 4, 2007. Although Cover-All U.S. Holding Corp. was incorporated for the purposes of carrying out a business venture, such business venture is yet to be pursued. As such, it has been inactive and has had no assets since its date of incorporation. However, Cover-All U.S. Holding Corp. is a guarantor of the Credit Agreement Obligations and has recently opened a bank account in Canada. Accordingly, Cover-All U.S. Holding Corp. is an Applicant in these proceedings.

64. I am a director of Cover-All U.S. Holding Corp., as are Andrew Fortier, Keith R. Pumbo and Steven R. Loose. I am the President of Cover-All U.S. Holding Corp., and its other officers are Steven R. Loose (Vice-President) and Andrew Fortier (Vice-President and Secretary).

(2) Summit Structures, LLC

65. Summit Structures, LLC is a limited liability company that was formed under the laws of Pennsylvania. Summit Structures, LLC's sole member is CBSI and its officers are Andrew Fortier (Secretary), Todd Payne (Treasurer), Paul Johnson (Chief Operating Officer), Wayne Gursky (General Sales Manager) and Darcy McLean (Business Director).

66. Summit Structures, LLC was formed to assist with large and complex orders that dealers were unable to fill on their own. Summit Structures, LLC has a bank account in Canada.

67. Summit Structures, LLC is a guarantor of the Credit Agreement Obligations.

68. Summit Structures, LLC is the parent corporation of three entities that were primarily formed for tax purposes. The following entities are subsidiaries of Summit Structures, LLC: Summit Structures U.S., LLC; Summit Project Management, LLC; and Eastern Cover-All Inc.

69. Summit Structures, LLC is an Applicant in these proceedings.

(3) Summit Structures U.S., LLC

70. Summit Structures U.S., LLC is a limited liability company that was formed in Pennsylvania. Its sole member is Summit Structures, LLC, and its officers are Andrew Fortier (Secretary), Todd Payne (Treasurer), Paul Johnson (Chief Operating Officer), Wayne Gursky (General Sales Manager) and Darcy McLean (Business Director).

71. Summit Structures, U.S., LLC performs some sales for the Cover-All Group and has a bank account in Canada. Summit Structures, U.S., LLC is a guarantor of the Credit Agreement Obligations.

72. Summit Structures U.S., LLC is an Applicant in these proceedings.

(4) Summit Project Management, LLC

73. Summit Project Management, LLC is a limited liability company that was formed in Pennsylvania. Its sole member is Summit Structures, LLC and its officers are Andrew Fortier (Secretary), Todd Payne (Treasurer), Paul Johnson (Chief Operating Officer) and Darcy McLean (Business Director).

74. Summit Project Management, LLC is presently inactive and has a bank account in Canada. Summit Project Management, LLC is a guarantor of the Credit Agreement Obligations.

75. Summit Project Management, LLC is an Applicant in these proceedings.

(5) Eastern Cover-All, Inc.

76. Eastern Cover-All, Inc. was incorporated under the laws of New York and is also registered to conduct business in Pennsylvania and Tennessee. Eastern Cover-All, Inc. is a wholly owned subsidiary of Summit Structures, LLC. I am a director of Eastern Cover-All, Inc., as are Todd Payne, Paul Johnson and Wayne Gursky. I am the President of Eastern Cover-All, Inc. and its other officers are Andrew Fortier (Secretary), Todd Payne (Treasurer and Chief Financial Officer), Paul Johnson (Chief Operating Officer) and Wayne Gursky (General Manager).

77. Eastern Cover-All, Inc. is a guarantor of the Credit Agreement Obligations and has a bank account in Canada.

78. Eastern Cover-All, Inc. is an Applicant in these proceedings.

(6) Quick Structures, LLC

79. Quick Structures, LLC is a limited liability corporation that was incorporated in Pennsylvania. The sole member of Quick Structures, LLC is CBSI and its officers are Andrew Fortier (Secretary), Todd Payne (Treasurer) and Paul Johnson (Chief Operating Officer).

80. Quick Structures, LLC is responsible for retail chain sales for the non-engineered product-line; however, it is relatively inactive.

81. All decision-making by Quick Structures LLC is centralized in Canada. Additionally, Quick Structures, LLC has a bank account in Canada and is a guarantor of the Credit Agreement Obligations.

82. Quick Structures, LLC is an Applicant in these proceedings.

(7) Cover-All Holdings U.S., LLC

83. Cover-All Holdings U.S., LLC is a limited liability company that was formed in Pennsylvania. In addition to Pennsylvania, it is also registered to conduct business in Iowa and Illinois. CBSI is the sole member of Cover-All Holdings U.S., LLC and its officers are Andrew Fortier (Secretary), Todd Payne (Treasurer) and Paul Johnson (Chief Operating Officer).

84. Cover-All Holdings U.S., LLC primarily sells and installs buildings in Iowa and Illinois.

85. Cover-All Holdings U.S., LLC is the sole member of NorthStar Cover-All, LLC.

86. Cover-All Holdings U.S., LLC is a guarantor of the Credit Agreement Obligations and has a bank account in Canada.

87. Cover-All Holdings U.S., LLC is an Applicant in these proceedings.

(8) NorthStar Cover-All, LLC

88. NorthStar Cover-All, LLC is a limited liability company formed in Delaware and is also registered to conduct business in Minnesota. I am a governor of NorthStar Cover-All, LLC, as are Todd Payne, Paul Johnson and Ben Fox. I am the Chief Executive Officer of NorthStar Cover-All, LLC, and its other officers are Todd Payne (Secretary and Chief Financial Officer), Paul Johnson (Chief Operating Officer) and Ben Fox (General Manager).

89. NorthStar Cover-All, LLC primarily installs buildings for corporate owned dealers and operates dealerships in Minnesota and South Dakota.

90. NorthStar Cover-All, LLC holds 100% of the shares in NorthStar Cover-All, Inc. and has a bank account in Canada. NorthStar Cover-All, LLC is an Applicant in these proceedings.

(9) NorthStar Cover-All, Inc.

91. NorthStar Cover-All, Inc. was formed under the laws of Minnesota and is registered to conduct business in California. NorthStar Cover-All, Inc.'s directors are Paul Johnson and Ben Fox, and its officer is Paul Johnson (Chief Executive Officer and Chief Financial Officer).

92. NorthStar Cover-All, Inc. operates in California and has very few assets and liabilities. It recently opened a Canadian bank account and is an Applicant in these proceedings.

(c) *Foreign Entities*

(1) Cover-All Holdings, S.a.r.l.

93. Cover-All Holdings, S.a.r.l. was formed under the laws of Luxembourg by Audax to pass investments through it to Holdco. Cover-All Holdings, S.a.r.l. does not have any property or assets in Canada, is not a party to the lending arrangements related to the Cover-All Group and is therefore not an applicant in these proceedings.

(2) Summit Structures Limited

94. Summit Structures Limited is a company incorporated in the United Kingdom. Summit Structures Limited purchases buildings from CBSI at wholesale prices and sells/installs the buildings in the United Kingdom.

95. Summit Structures Limited owns 95% of the shares in Cover-All Europe GmbH, a German company.

96. Summit Structures Limited is a guarantor of the Credit Agreement Obligations and has a bank account in Canada.

97. Summit Structures Limited is not an applicant in these proceedings at this time; however, the Applicants may subsequently appear before this Honourable Court to add Summit Structures Limited as an Applicant to these proceedings and recognition proceedings or other bankruptcy or creditor protection proceedings may subsequently be sought in respect of this entity.

(3) Cover-All Europe GmbH

98. Cover-All Europe GmbH is a guarantor of the Credit Agreement Obligations but does not do business or have any assets in Canada. Cover-All Europe GmbH is not an applicant in these proceedings; however, it may separately file for bankruptcy or for creditor protection in Germany.

(vi) Customers

99. The Cover-All Group has a diverse customer base and includes many North American and European leaders in each of the Cover-All Group's key end user markets, including industrial/commercial, agriculture, equine, recreation/entertainment, government, military and disaster relief.

100. Approximately 30% of the Cover-All Group's revenue in 2009 was generated from repeat customers. The Cover-All Group's top five customers accounted for 10% of revenue in fiscal 2009, with the largest customer at 3% of total revenue.

101. In 2009, customers in the United States accounted for approximately 40% of the Cover-All Group's revenues, followed by Canada at 50% and Europe at 10%.

(vii) Offices and Facilities

102. CBSI owns a 170,000 square foot manufacturing facility that is certified by the ISO (the "**Main Facility**"). Situated on twenty acres of land in Saskatoon, Saskatchewan, the Main Facility is the central location from which the steel is manufactured and the fabric is produced for all buildings purchased from the Cover-All Group or its various dealers.

103. Virtually all management, human resources, engineering, tax and accounting functions for the Cover-All Group take place from an office at the Main Facility.

104. CBSI leases offices in Edmonton, Calgary and Lucknow, Ontario. Summit Structures U.S., LLC leases an office in Allentown, Pennsylvania.

(viii) Employees

105. As at January 31, 2010, the Cover-All Group employed approximately 483 employees, including approximately 400 in Saskatoon, Saskatchewan and approximately 84 employees in Manitoba, Ontario, Alberta, U.S. and Germany. In Saskatoon, approximately 182 employees work in the corporate office and approximately 218 work in the manufacturing facility. Of all employees of the Cover-All Group, approximately 170 are salaried and approximately 230 are paid based on an hourly wage.

106. In 2007, the Cover-All Group implemented a formal stock plan under which options on Class O Shares were given to employees. The options vest at 20% each for five years from the anniversary date, provided the grantee is still employed.

107. Basic health benefits are provided to employees of the Cover-All Group on a cost shared basis.

(B) Assets and Liabilities of the Cover-All Group

108. The following financial statements (collectively, the “**Financial Statements**”) are being provided to this Honourable Court in support of this Affidavit:

(a) the Applicants’ unaudited consolidated financial statements as at January 30, 2010, attached hereto as Exhibit “B”; and

(b) the Applicants’ audited consolidated financial statements as at January 31, 2009, attached hereto as Exhibit “C”.

(i) Cover-All Group

109. Based on the Applicants’ unaudited consolidated financial statements dated January 30, 2010, the Cover-All Group’s assets had a book value of approximately \$141.1 million. Of this asset value, approximately \$32.2 million consists of current assets while the remaining \$108.9 million is non-current assets. The current assets include cash totalling approximately \$5.6 million, accounts receivable of approximately \$12.5 million and inventory of approximately \$11.1 million.

110. As at January 31, 2010, the Cover-All Group’s liabilities amounted to approximately \$96.0 million, including approximately \$29.1 of current liabilities (including approximately \$5.5 million of current bank debt) and approximately \$66.9 million of non-current liabilities. Of the total liabilities, approximately \$6.1 million consisted of accounts payable long-term debt was approximately \$49.6 million (including approximately \$33.5 million under the Senior Credit Agreement (as defined below) and approximately \$16.1 million under the Subordinate Credit

Agreement (as defined below), and approximately \$9.2 million was for amounts owing pursuant to shareholders loans.

111. Approximately 75% of the Cover-All Group's accounts payable to suppliers are current, with the remaining 25% (approximately \$1.2 million as at March 23, 2010) less than thirty days overdue.

112. The Cover-All Group is also subject to certain litigation proceedings in certain jurisdictions of the United States, Canada and Europe, including proceedings commenced in January, 2010 before the Texas Northern District Court relating to the collapse of a building during a severe storm with severe winds, which building was manufactured by CBSI and was being used as a practice facility for the Dallas Cowboys football team.

(ii) Canadian Entities

(a) CBSI

113. CBSI is the main operating company within the Cover-All Group. CBSI owns the Main Facility and also has acquired three dealers, namely, Cover-All Central Prairies, Cover-All Ontario and Cover-All Alberta, which, along with NorthStar Cover-All Canada, are considered operating divisions of CBSI.

114. As mentioned above, CBSI leases offices in Edmonton, Calgary and Lucknow, Ontario.

115. As at January 30, 2010, CBSI's total assets had a book value of approximately \$150,287,328. Of this total, approximately \$103,854,947 was money owing to CBSI from its related companies. As at January 30, 2010, CBSI had approximately \$3,623,422 of cash and \$8,704,887 of inventory.

116. As at January 30, 2010, CBSI's total liabilities had a book value of approximately \$77,428,808. CBSI has a capital lease obligation of approximately \$982,582. CBSI's principal liability is as borrower under the Senior Credit Agreement and the Subordinate Credit Agreement. Specifically, as at January 30, 2010, CBSI owed approximately \$52,665,201 in long term debt and \$5,499,999 in current bank debt to CIBC and other lenders pursuant to a Senior Credit Agreement and a Subordinate Credit Agreement, while also owing approximately \$3,939,148 in accounts payable and an additional \$10,834,607 in income taxes payable.

117. CBSI entered into a Senior Credit Agreement with CIBC (as operating lender and administrative agent) and the other lenders party thereto on October 23, 2007 (the "**Senior Credit Agreement**"). Holdco and the other Applicants, with the exception of NorthStar Cover-All, LLC and NorthStar Cover-All, Inc., are guarantors of CBSI's obligations under the Senior Credit Agreement (the "**Guarantors**").

118. The Senior Credit Agreement provides for, *inter alia*:

- (a) a term loan in the principal amount of \$40,000,000 on a non-revolving basis payable within five years from the date of advancement by CIBC and the Bank of Nova Scotia, unless renewed pursuant to the terms of the Senior Credit Agreement;
- (b) a revolving loan in the maximum aggregate principal amount at any time not in excess of \$10,000,000; and
- (c) operating loans in an aggregate principal amount at any time outstanding not to exceed \$4,000,000.

119. The monies borrowed by CBSI pursuant to the Senior Credit Agreement were to be used by CBSI as follows:

- (a) to partially fund the transactions of October 23, 2007 relating to the ownership of the Cover-All Group (described in paragraph 46 above) and the fees and expenses associated with those transactions; and
- (b) monies borrowed under the Revolving Loans and the Operating Loans were to be used to finance ongoing working capital, capital expenditures and general corporate purposes of the Loan Parties (as defined in the Senior Credit Agreement).

120. CBSI, as borrower, and each of the Guarantors granted a security interest to CIBC, as agent, over all of their respective assets (by way of a general security agreement and/or mortgage and/or pledge agreement) to secure their obligations owing under the Senior Credit Agreement.

121. In addition to the Senior Credit Agreement, CBSI is also liable to CIBC and Roynat Capital Inc. under a Subordinate Credit Agreement entered into on October 23, 2007 ("**Subordinate Credit Agreement**"). The Guarantors have also guaranteed CBSI's obligations under the Subordinate Credit Agreement.

122. The Subordinate Credit Agreement provides for a term loan to CBSI in the principal amount of \$15,000,000.

123. The monies borrowed by CBSI pursuant to the Subordinate Credit Agreement were to be used by CBSI to partially fund the transactions of October 23, 2007 relating to the ownership of

the Cover-All Group (described in paragraph 46 above) and the fees and expenses in connection therewith.

124. CBSI, as borrower, and each of the Guarantors granted a security interest to CIBC, as agent, over all of their respective assets (by way of a general security agreement and/or mortgage and/or pledge agreement) to secure their obligations owing under the Subordinate Credit Agreement.

125. As at January 30, 2010, CBSI also owed approximately \$9,200,000 to Holdco pursuant to a shareholder loan, which loan is unsecured. These funds were used to acquire Cover-All Alberta Ltd. from John Cameron.

126. As mentioned previously, CBSI has four operating divisions, namely: Cover-All Central Prairies, Cover-All Ontario, Cover-All Alberta and NorthStar Cover-All Canada.

(1) Cover-All Central Prairies

127. Cover-All Central Prairies is a dealer that was acquired by CBSI and is now an operating division of CBSI. As at January 30, 2010, Cover-All Central Prairies had total assets of approximately \$4,150,875, consisting primarily of \$3,524,867 owed from related companies.

128. As at January 30, 2010, Cover-All Central Prairies had total liabilities of approximately \$416,891, including \$255,596 in accounts payable.

(2) Cover-All Ontario

129. Cover-All Ontario is a dealer that was acquired by CBSI and is now an operating division of CBSI. As at January 30, 2010, Cover-All Ontario had total assets of approximately \$9,051,223, consisting primarily of \$6,458,440 owed from related companies.

130. As at January 30, 2010, Cover-All Ontario had total liabilities of approximately \$950,732, consisting primarily of other current liabilities of \$751,603.

(3) Cover-All Alberta

131. Cover-All Alberta is a dealer that was acquired by CBSI and is now an operating division of CBSI. As at January 30, 2010, Cover-All Alberta had total assets of approximately \$7,360,933, consisting primarily of \$2,695,144 owed from related companies and \$2,219,395 in accounts receivable.

132. As at January 30, 2010, Cover-All Alberta had total liabilities of approximately \$1,196,521, consisting primarily of \$1,172,421 in accounts payable.

(4) NorthStar Cover-All Canada

133. NorthStar Cover-All Canada is an operating division of CBSI relating to installation services provided to corporately owned and independent dealers in Canada. As at January 30, 2010, NorthStar Cover-All Canada had total assets of approximately \$1,452,162, consisting primarily of \$898,791 in accounts receivable.

134. As at January 30, 2010, North-Star Cover-All Canada had total liabilities of approximately \$123,119, consisting primarily of \$91,456 in accounts payable.

(b) Holdco

135. As at January 30, 2010, Holdco's primary asset was its 100% ownership of the common shares in each of CBSI and Cover-All Holding Corp.

136. As at January 30, 2010, Holdco was owed approximately \$45,670,955 from related companies and had approximately \$9,204,802 of long term senior debt owed to shareholders of Cover-All Holdings, S.a.r.l and 101108501 Saskatchewan Ltd., respectively, related to the acquisition of Cover-All Alberta Ltd. in 2008.

137. Holdco is a guarantor of the Credit Agreement Obligations.

(iii) U.S. Entities

(a) Cover-All Holding Corp.

138. As at January 30, 2010, Cover-All Holding Corp. was a shell entity with no assets or liabilities (other than nominal amounts in its bank account).

139. Cover-All Holding Corp. is a guarantor of the Credit Agreement Obligations.

(b) Summit Structures, LLC

140. As at January 30, 2010, Summit Structures, LLC had intangible assets with a book value of approximately \$505,313. Summit Structures, LLC owed approximately \$3,495,154 to related companies.

141. Summit Structures, LLC is a guarantor of the Credit Agreement Obligations.

(c) Summit Structures U.S., LLC

142. As at January 30, 2010, Summit Structures U.S., LLC had total assets of approximately \$4,607,306. Summit Structures U.S., LLC's principal asset is approximately \$3,836,086 owed from related companies.

143. As at January 30, 2010, Summit Structures U.S., LLC's total liabilities were approximately \$1,154,684, with its principal liability being approximately \$668,472 in income taxes payable.

144. Summit Structures U.S., LLC leases an office in Allentown, Pennsylvania and is a guarantor of the Credit Agreement Obligations.

(d) Summit Project Management, LLC

145. As mentioned above, Summit Project Management, LLC is presently inactive. As at January 30, 2010, Summit Project Management, LLC's only liability was approximately \$530,111 owing to related companies.

146. Summit Project Management, LLC is a guarantor of the Credit Agreement Obligations.

(e) Eastern Cover-All, Inc.

147. As at January 30, 2010, Eastern Cover-All, Inc. had total assets of approximately \$3,420,021. Eastern Cover-All, Inc.'s principal assets are approximately \$1,661,091 owing from related companies and approximately \$1,002,583 in intangible assets.

148. As at January 30, 2010, Eastern Cover-All, Inc. had total liabilities of approximately \$525,663, with its principal liabilities consisting of accounts payable (approximately \$185,840) and other current liabilities (approximately \$371,099).

149. Eastern Cover-All, Inc. is a guarantor of the Credit Agreement Obligations.

(f) Quick Structures, LLC

150. As at January 30, 2010, Quick Structures, LLC was relatively inactive. It had approximately \$28,256 of total assets and approximately \$1,663 of total liabilities.

151. Quick Structures, LLC is a guarantor of the Credit Agreement Obligations.

(g) Cover-All Holdings U.S., LLC

152. As at January 30, 2010, Cover-All Holdings U.S., LLC had approximately \$1,917,091 in total assets, representing amounts due from related companies.

153. As at January 30, 2010, Cover-All Holdings U.S., LLC had approximately \$903,149 in total liabilities, with its principal liability being approximately \$1,560,225 owing in future income taxes.

154. Cover-All Holdings U.S., LLC is a guarantor of the Credit Agreement Obligations.

155. Mid-West Cover-All is as an operating division of Cover-All Holdings U.S., LLC.

(1) Mid-West Cover-All

156. As at January 30, 2010, Mid-West Cover-All had approximately \$3,043,630 of total assets, the majority of which are intangible assets (approximately \$3,283,132) and Goodwill (approximately \$1,592,640).

157. As at January 30, 2010, Mid-West Cover-All had approximately \$2,320,304 in total liabilities, of which approximately \$1,592,640 consists of future income taxes payable.

(h) NorthStar Cover-All, LLC

158. As at January 30, 2010, NorthStar Cover-All, LLC had total assets of approximately \$1,862,947. NorthStar Cover-All's principal assets are its intangible assets, with a book value of approximately \$677, 151. and accounts receivable due from related companies for installation services provided to the corporate divisions owned by CBSI.

159. As at January 30, 2010, NorthStar Cover-All, LLC had current liabilities of approximately \$284, 203 consisting primarily of accounts payable.

160. NorthStar Cover-All, LLC is not a party to the lending arrangements with CIBC, as administrative agent, related to the Cover-All Group.

(i) NorthStar Cover-All, Inc.

161. NorthStar Cover-All, Inc. is not a party to the lending arrangements with CIBC, as administrative agent, related to the Cover-All Group. NorthStar Cover-All, Inc. is an inactive entity with no material assets or liabilities.

(iv) Foreign Entities

(a) Summit Structures Limited

162. As at January 30, 2010, Summit Structures Limited had a negative value for its total assets (approximately \$303,101). Although Summit Structures Limited had approximately \$544,060 in accounts receivable, it owed approximately \$972,252 to related companies.

163. As at January 30, 2010, Summit Structures Limited had a negative value for its total liabilities (approximately \$17,536), primarily as a result of an anticipated tax return of approximately \$175,106.

164. Summit Structures Limited is a guarantor of the Credit Agreement Obligations.

(b) Cover-All Europe GmbH

165. As at January 30, 2010, Cover-All Europe GmbH had total assets of approximately \$6,155,629. Cover-All Europe GmbH's primary asset was its accounts receivable (approximately \$3,078,042), although it owed approximately \$242,735 to related companies.

166. As at January 30, 2010, Cover-All Europe GmbH's total liabilities were approximately \$5,107,488, primarily relating to its accounts payable (approximately \$1,387,591) and its other liabilities (approximately \$3,523,740).

167. Cover-All Europe GmbH is a guarantor of the Credit Agreement Obligations.

(C) Financial Difficulties

(i) Economic Challenges

168. The Cover-All Group's present financial difficulties are the result of a combination of external market and internal financial factors that have adversely affected the Cover-All Business.

169. Sales peaked for the Cover-All Group in 2008. Demand for the Cover-All Group's building series was at an all-time high, as the market conditions in North America and Europe were strong.

170. The Cover-All Group took advantage of these economic conditions by ensuring that, through its subsidiaries and various dealers located around the world, the demand for the Cover-All building models was matched by professional sales teams and large distribution chains. Revenues for the Cover-All Group reached approximately \$129 million, their highest point since the company was founded in 1993.

171. However, the world-wide economic downturn negatively impacted virtually every market in which the Cover-All Group operated. The global recession created escalating external and economic pressures not only for the Cover-All Group, but for the prefabricated building industry as a whole.

172. As access to credit tightened up, so too did the pool of customers willing to purchase permanent and/or portable buildings. The resulting effect was a substantial and continuing contraction of the prefabricated building industry, especially in North America.

173. The Cover-All Group and its competitors have been greatly affected by these challenges. The recession has not only decreased demand, but it has also resulted in the chronic over-capacity of buildings and building supplies, which in turn has led to price competition among manufacturers.

174. Although the Cover-All Group has managed to endure the challenges described above and has stayed operational for the past two years, the cumulative effect of these challenges has

weakened the Cover-All Group and ultimately left it unable to deal with any further economic shocks.

(ii) Challenges Under the Senior Credit Agreement

175. Due to the various economic factors described above, CBSI found it difficult to remain in compliance with certain of its financial covenants in the Senior Credit Agreement.

176. CBSI has currently failed to meet certain financial covenants under the Senior Credit Agreement, which is an event of default. CBSI received a formal notice of default from CIBC as of March 16, 2010. The non-compliance with certain financial covenants can lead to the amounts owing under the Senior Credit Agreement (and the Subordinate Credit Agreement as a result of certain cross-defaults) becoming immediately due and payable. None of CBSI or the Guarantors would be able to pay the full amounts owing under the credit agreements should they become immediately due and payable as a result of the default.

(iii) Challenges Resulting from Potential Engineering Issues

177. Recently, Management of CBSI became aware of potential engineering issues with the TITAN building series. CBSI's Management and directors took these potential engineering issues very seriously and immediately took all reasonable steps to examine, address and then report the issues as raised.

178. Upon being notified of the possibility of engineering issues, Management of CBSI immediately arranged for internal and then external reviews of the engineering and design of the TITAN building line.

179. These reviews of the TITAN building series revealed that that there may be engineering issues with the TITAN buildings that may make some TITAN structures susceptible to collapse if certain weather conditions, including heavy snow and/or strong winds, were present.

180. On or around March 5, 2010 and based on the results of the internal and external reviews, CBSI's Management conferred with, among others, legal counsel, and determined that the appropriate course of action was to provide notice to customers, dealers, and principal insurers regarding the potential engineering issues concerning some of the TITAN buildings (the "**Notice Letters**") and to advise the Lenders of its decision in this regard.

181. On or about March 16, 2010, Management advised the Lenders of the events leading up to its decision to send the Notice Letters with respect to the potential engineering issues with some of the TITAN buildings. Management also advised the Lenders that: (a) the Cover-All Group had retained Goodmans LLP and Ernst & Young Inc. ("**EYI**") as professional advisors; (b) EYI was assisting in the preparation of cash flows and similar matters; and (c) the Cover-All Group was currently reviewing its options and opportunities to continue to operate the business, potentially under CCAA proceedings.

182. On or about March 17, 2010, the Notice Letters were sent to various customers, dealers and insurers regarding the potential engineering issues concerning some of the TITAN buildings.

183. The Cover-All Group takes the safety of its products very seriously. Accordingly, following completion of the internal and external reviews relating to the TITAN building series indicating potential engineering issues, the Cover-All Group considered its other product lines and decided to take a proactive approach relating to these other product lines. In this regard,

Management decided that additional internal and external reviews of all other building series manufactured by CBSI was a responsible course of action.

184. In addition, Management of CBSI decided that it was prudent and responsible to suspend the production and sale of all building series models until the engineering reviews were completed.

185. Management of CBSI, on advice from, among others, its lawyers and financial advisors, determined that significant costs would likely arise as a result of: (a) the possibility of replacement and/or repair of one or more of the building series models; and (b) potential litigation that may arise as a result of the potential engineering issues.

186. In exploring options to fund these potential costs, Management reviewed whether funds would be available under CBSI's Senior Credit Agreement and/or its Subordinate Credit Agreement. The Lenders advised CBSI that, as a result of CBSI's failure to meet certain financial covenants and the current circumstances, there is no remaining availability under the credit facilities. Furthermore, as a result of the prudent suspension of production and sale of all building models, the Cover-All Group will suffer a loss of revenue pending the completion of the external engineering review of its other building models, reducing its ability to defray these potential significant costs.

187. The Cover-All Group determined that it had no alternative but to commence Court-supervised proceedings in an expedited manner to protect its business, given:

- (a) the prevailing economic conditions and significant contraction of sales over the past few years (and corresponding loss of revenue);

- (b) the prudent suspension of production and sale of all building series models pending further internal and external engineering reviews and the corresponding loss of revenue;
- (c) anticipated difficulty of collecting receivables following issuance of Notice Letters to, among others, various customers and dealers, and the suspension of production and sale of building series models;
- (d) the non-compliance with certain financial covenants that is an event of default under the Senior Credit Agreement (and cross-default under the Subordinate Credit Agreement);
- (e) its present financial circumstances that would lead to an inability to pay the amounts outstanding under the credit agreements should these amounts become immediately due and payable; and
- (f) the shortfall of funding available to the Cover-All Group to cover costs relating to potential engineering issues with some of the TITAN buildings and possibly other building series models, and potential litigation in respect thereof.

188. Commencing Court-supervised proceedings was the only alternative available to the Cover-All Group to preserve value for its stakeholders and to give it a fair opportunity to restructure the Cover-All Business.

(iv) Key Initiatives

189. The Cover-All Group is currently considering a number of initiatives to address its challenges and reduce costs.

190. The Cover-All Group has suspended the manufacture and sale of all of its building series models while it addresses its challenges and undertakes a coordinated, comprehensive review of the product lines, including the completion of any necessary redesign.

191. Only staff essential to maintain the value of the business and to allow the Cover-All Group to restructure in an expedited manner will be kept during this period of time, leading to significant workforce reduction and corresponding reduction of costs.

192. Employment opportunities are scarce right now in Saskatoon, the site of the Cover-All Group's head office, and it is anticipated that a restructured Cover-All Group will be able to re-hire many key staff when operations re-start.

193. Further, all non-essential expenses will be eliminated during this restructuring period.

(D) The Proceedings

(i) The Cover-All Group is Insolvent for the Purposes of the CCAA

194. The Cover-All Group has been unable to find an out-of-court solution to its financial difficulties, and there is no reasonable expectation that the Cover-All Group's financial condition will improve. On the contrary, absent a successful restructuring, all indications suggest that the Cover-All Group's financial condition will deteriorate further with a corresponding erosion of the value of the Cover-All Business.

195. Although the unaudited balance sheets of the Cover-All Group as at January 30, 2010 reflect that assets exceed liabilities, it is anticipated that the Cover-All Group will, absent debtor-in-possession financing, not have sufficient cash to meet its liabilities following week eight of these proceedings. Furthermore, absent a stay, CIBC may demand immediate payment of the

amounts outstanding under the Senior Credit Agreement and the Subordinate Credit Agreement as a result of CBSI's non-compliance with certain financial covenants, and the Cover-All Group may face potential litigation claims, which amounts and claims the Cover-All Group will be unable to satisfy. I am advised by Goodmans LLP that a company will be considered to be insolvent for purposes of the CCAA if there is a "reasonably foreseeable" liquidity crisis or a "hypothetical" deficiency of assets to liabilities (including contingent and unliquidated liabilities). As a result of factors described in paragraph 189 above, there exists a reasonably foreseeable liquidity crisis such that the Applicants are insolvent for the purposes of the CCAA.

(ii) The CCAA Proceedings

196. The Cover-All Group is highly concerned that in light of the Cover-All Group's financial circumstances, there could be a fast and significant erosion of value to the detriment of all stakeholders. In particular, the Cover-All Group is highly concerned about the following risks:

- (a) the Lenders demanding payment in full for money owing under the Senior Credit Agreement and the Subordinate Credit Agreement;
- (b) the significant costs associated with any replacement and/or repair of TITAN buildings and possibly other building series models;
- (c) potential litigation claims arising from potential engineering issues related to TITAN buildings and possibly other building series models;
- (d) potential termination of contracts by key suppliers; and

- (e) potential termination of dealer contracts (which typically have a mutual termination clause on notice) following issuance of the Notice Letters and upon the suspension of operations.

197. Having regard to the circumstances, and in an effort to preserve the value of the Cover-All Business, the commencement of the within CCAA proceeding is in the best interests of the Cover-All Group and its stakeholders. Additionally, the Cover-All Group's principal lenders have indicated their concern that, due to existing circumstances and without a Court-supervised process, the Cover-All Group will be unable to service and repay their debts, including under the Senior Credit Agreement and Subordinate Credit Agreement; accordingly, they support the commencement of a Court-supervised process for the recovery of their debt.

198. In the circumstances, without a stay of proceedings to enable the Cover-All Group to restructure and debtor-in-possession financing from and after week eight of these proceedings, the Cover-All Group would not be able to service their debt load or meet their debts as they become due.

199. Holdco, CBSI, and the subsidiaries listed in Schedule "A" are Applicants in the within CCAA Proceedings. Although the entities listed in Schedule "A" are U.S. corporations, some of which have employees and/or assets located in the United States, they nevertheless meet the requirements of the CCAA as Applicants thereunder. It is reasonably foreseeable that all of the Applicants will become insolvent companies if not granted CCAA protection, they will collectively face claims in excess of CDN\$5 million, and they all have assets and do business in Canada. For reasons discussed in the following section, it is appropriate for this Honourable

Court to exercise its jurisdiction to grant the Initial CCAA Order in respect of Holdco, CBSI and all of the entities listed in Schedule "A".

(iii) Ancillary Proceedings

200. The Cover-All Group and the Monitor are of the view that any restructuring of the Cover-All Group or any sale of its Property is likely to require some form of judicial proceeding and approval in the United States, or other jurisdictions as applicable, to address the assets and obligations of the Cover-All Group in those respective jurisdictions. As the Cover-All Business is integrated and the U.S. entities listed in Schedule "A" are reliant on CBSI for the manufacture and supply of buildings, it is in the best interests of the stakeholders to deal with the Cover-All Group on a consolidated basis through a single, centralized restructuring process, which may include a sale of all or parts of the Property of the Cover-All Group.

201. The centre or focal point of the Cover-All Business is in Canada, and therefore it is appropriate for the CCAA Proceedings to be the primary Court-supervised process for the restructuring, with ancillary proceedings in the United States to effectuate matters arising in the CCAA Proceedings.

202. Accordingly, the Cover-All Group, with the support of CIBC, intends to commence proceedings in respect of the Cover-All Group under Chapter 15 of the U.S. Bankruptcy Code (the "**Chapter 15 Proceedings**") before the U.S. Bankruptcy Court for the Eastern District of Pennsylvania (the "**U.S. Court**"). The Cover-All Group has decided to pursue the Chapter 15 Proceedings due to its expediency and efficacy in addressing the Cover-All Group's assets and business in the United States, the integrated nature of the Cover-All Business, and based on its view that Canada is the appropriate principal jurisdiction in which to pursue and implement the

restructuring, which may include a sale of Property of the Cover-All Group. The Order sought in the within proceedings authorizes either the Monitor or any of the entities in the Cover-All Group to act as foreign representative in any foreign proceedings.

203. As mentioned previously, at this time, Summit Structures Limited, a U.K. corporation, is not an applicant in these proceedings. However, the Applicants may subsequently appear before this Honourable Court to add Summit Structures Limited, and/or any other subsidiary that is not an applicant if the circumstances warrant, as an Applicant to these proceedings and recognition proceedings or other bankruptcy or creditor protection proceedings may subsequently be sought in respect of Summit Structures Limited and/or any other subsidiary.

204. The Cover-All Group believes that the centre of main interest or focal point of the Cover-All Group is clearly in Canada, based on the following factors:

- (a) Holdco and CBSI, the parents and sole shareholders of all of the subsidiaries in the Cover-All Group, are Canadian entities;
- (b) the main operating entity, CBSI, has its registered head office in Calgary, Alberta;
- (c) the Cover-All Group is managed on a consolidated basis, with the corporate headquarters located in Saskatoon, Saskatchewan;
- (d) the Cover-All Group's corporate-level decision-making and corporate administrative functions, including management, human resources, engineering, tax and accounting functions, are centralized in Saskatoon, Saskatchewan;

- (e) key contracts including, among others, dealer contracts, key financing documents and consignment agreements, are created in Canada and subject to the jurisdiction of Canadian law;
- (f) customer warranties are serviced out of Canada;
- (g) the President, Chief Executive Officer and Secretary of CBSI, the main operating entity in the Cover-All Group, who are also directors, officers and/or governors of other entities in the Cover-All Group, are based in Canada;
- (h) all dealer contracts in North America (of which there are approximately 80) are with CBSI, while arrangements with the European dealers are led by CBSI;
- (i) the cash management structure is set up such that any excess cash earned by the subsidiaries is swept by CBSI, while CBSI sends cash to the subsidiaries as necessary;
- (j) the manufacture of all buildings sold by the Cover-All Group and its various dealers takes place at the Main Facility, which is situated in Saskatoon, Saskatchewan;
- (k) all of the Applicants have assets or do business in Canada;
- (l) the Cover-All Group's principal secured creditor, CIBC, as administrative agent under the Senior Credit Agreement and the Subordinate Credit Agreement, is a chartered Canadian financial institution based in Toronto, Ontario, and the Senior

Credit Agreement and Subordinate Credit Agreement are governed by Canadian law;

- (m) contracts and credit terms for the purchase of raw materials from major suppliers are predominantly negotiated at the corporate level from the Cover-All Group's head office in Saskatoon, Saskatchewan;
- (n) oversight of the vast majority of the Cover-All Group's customer accounts and customer relationships is managed by CBSI's VP Sales and Marketing from the Cover-All Group's head office in Saskatoon, Saskatchewan;
- (o) pricing decisions for all of the entities listed in Schedule "A" are ultimately made by the Vice President of Sales, in Saskatoon, Saskatchewan;
- (p) treasury management functions, including the management of the Cover-All Group's accounts receivable and accounts payable, are managed from the Cover-All Group's head office in Saskatoon, Saskatchewan;
- (q) although certain bookkeeping and accounting functions are performed locally, bookkeeping, accounting, financial reporting, budgeting and cash management (including the allocation of funds drawn on the Cover-All Group's credit facilities) are overseen in Saskatoon, Saskatchewan;
- (r) with the exception of routine maintenance expenditures, all capital expenditure decisions affecting the Cover-All Group are managed in Saskatoon, Saskatchewan;

- (s) the information technology systems on which the Cover-All Group functions, such as key servers, networks and personnel, are centralized and managed in Saskatoon, Saskatchewan;
- (t) new business development initiatives are centralized and managed from Saskatoon, Saskatchewan; and
- (u) research and development is carried out at the Main Facility in Saskatoon, Saskatchewan, including the Cover-All Group's corporate-level research and development budget and strategy.

205. In addition to the foregoing factors, which reinforce the centralized management of the Cover-All Business in Canada, there is strong integration among the Cover-All Group, which makes it appropriate to address the restructuring of the Cover-All Group primarily in one jurisdiction to maximize efficiencies in the best interests of the stakeholders.

206. In addition, cash management and other banking arrangements for the Cover-All Group are integrated, with CBSI borrowing and advancing funds on an intercompany basis as necessary and sweeping funds when its subsidiaries have excess cash. Due to the integrated nature of these arrangements, the banking and financing of the subsidiaries listed in Schedule "A" cannot easily be separated from those of CBSI, and *vice versa*.

207. For these reasons, the Cover-All Group believes strongly that the restructuring, including any sale of the Property of the Cover-All Group, ought to be dealt with primarily in a single forum. Since the center or focal point of the Cover-All Group and the Cover-All Business is in Canada, it is appropriate that CCAA Proceedings in Canada be the primary court-supervised

proceedings in respect of the Cover-All Group, with the U.S. Court assisting as necessary with the recognition and enforcement of matters arising in the CCAA Proceedings in the United States.

III. FUNDING OF THE COVER-ALL GROUP

(A) Cash Flow Forecast

208. The cash-flow forecast attached hereto as Exhibit "D" (the "**Cash Flow Forecast**") contemplates the suspension of operations of the Cover-All Business for an eight-week period pending completion of the external engineering review relating to the other product lines. A resumption of operations and corresponding sale of products is anticipated in n week nine.

209. As set out in the Cash Flow Forecast, with a temporary suspension of operations and corresponding reduction in costs, the Cover-All Group has sufficient funds to satisfy its projected uses of cash during the next eight weeks. The principal uses of cash during the next eight weeks will consist of the costs associated with the conduct of the external engineering review relating to CBSI's other product lines and professional fees and disbursements in connection with these CCAA proceedings. The Lenders have reviewed the Cash Flow Forecast and have approved the Cover-All Group's use of cash as contemplated by the Cash Flow Forecast. Accordingly, it is projected that the Cover-All Group will not require additional funds for the first eight weeks of these proceedings.

210. It is anticipated that the Cover-All Group will require debtor-in-possession financing for the period following the first eight weeks of these proceedings. The Cover-All Group, the Monitor and the Lenders have been working together with respect to the commencement of these

proceedings. The Lenders are in support of the commencement of these proceedings; however, pursuant to the Order sought, the Lenders have the ability, notwithstanding the stay of proceedings, to enforce their rights and remedies with respect to the Cover-All Group and the Property on two business days notice to the Applicants and the Monitor. Accordingly, the Cover-All Group, the Monitor and the Lenders will communicate on an ongoing basis with respect to these proceedings, including with respect to debtor-in-possession financing and a subsequent appearance before this Honourable Court for approval of any such debtor-in-possession financing and the granting of a Court-Ordered charge over the Property to secure amounts advanced and owing with respect to any such financing.

(B) Cash Management System

211. As part of the proposed interim financing arrangements, the Cover-All Group seeks the authority to continue to use the existing cash management system (the “**Cash Management System**”) and to maintain the funding and banking arrangements already in place.

212. Pursuant to the Senior Credit Agreement and the Subordinate Credit Agreement:

- (a) all deposit accounts of CBSI must be maintained with CIBC; and
- (b) all deposit accounts of the Guarantors, if maintained with an institution other than CIBC, must be subject to a first priority perfected lien in favour of CIBC and a Deposit Account Pledge Agreement.

213. In addition to various accounts held by subsidiaries described below, the current Cash Management System consists of: (i) nine Canadian dollar bank accounts held by CBSI at CIBC in Canada (the “**Canadian Accounts**”); (ii) four U.S. dollar bank accounts held by CBSI at

CIBC (the “**U.S. Accounts**”); (iii) one Euro bank account held by CBSI at CIBC (the “**Euro Account**”); and (iv) and one Pound bank account held by CBSI at CIBC (the “**Pound Account**”).

214. All of the Canadian Accounts are operating accounts, which CBSI uses for, among other things, disbursements and drawings against the Senior Credit Agreement and Subordinate Credit Agreement; depositing proceeds of any receivables received by CBSI and payroll.

215. All of the U.S. Accounts are operating accounts, which CBSI uses for, among other things, disbursements and drawings against the Senior Credit Agreement and Subordinate Credit Agreement and depositing proceeds of any receivables received by CBSI.

216. The Euro Account and the Pound Account are both operating accounts.

217. In addition to the accounts held by CBSI with CIBC in Canada, all of the entities listed in Schedule “A”, with the exception of Holdco, have bank accounts at CIBC in Canada, including bank accounts with CIBC recently opened by Cover-All U.S. Holding Corp. and NorthStar Cover-All, Inc. Additionally, Summit Structures, LLC has a bank account in U.S. dollars with M&T Bank in the United States, Cover-All Holdings U.S. has a bank account in U.S. dollars with Chelsea Savings Bank in the United States, NorthStar Cover-All, LLC has a bank account in U.S. dollars with First National Bank of Cold Spring in the United States, and Summit Structures Limited and Cover-All Europe GmbH have various bank accounts in multiple currencies in Europe.

218. The Cover-All Group receives its funding for operations through the Cash Management System. CBSI advances funds through the Cash Management System to its subsidiaries listed in

Schedule "A" as necessary by way of intercompany loans. Additionally, CBSI sweeps excess cash held by its subsidiaries through the Cash Management System.

219. The Order sought also includes the granting of a Court-Ordered charge (ranking after the Applicants' Advisors Administration Charge and the Lenders' Advisors Administration Charge (each as subsequently defined), but in priority to all other charges) in favour of the bank providing the cash management system (the "**Cash Management System Provider**") for any obligations, chargebacks, returns, liabilities, costs, charges, fees or expenses incurred by the Cash Management System Provider under the Cash Management System.

220. The current Cash Management System includes the necessary accounting controls to enable the Cover-All Group, as well as its creditors and this Honourable Court, to trace funds through the system and ensure that all transactions are adequately ascertainable. As such, it is hereby requested that this Honourable Court grants a continuation of the current system.

IV. MONITOR

221. EYI has been retained to, among other things, act as Monitor in potential CCAA Proceedings. The professionals of EYI who have carriage of this matter, and who will have carriage of this matter for EYI, the proposed Monitor, have acquired considerable knowledge of the Cover-All Group and the Cover-All Business since the commencement of their engagement. EYI is therefore in a position to immediately commence any restructuring process, which may include a sales process.

222. EYI has consented to act as the Monitor of the Cover-All Group in the within proceedings (the "**Monitor**").

223. In connection with its appointment, it is contemplated that a Court-Ordered charge over the assets, property and undertaking of the Cover-All Group (the “**Applicants’ Advisors Administration Charge**”) would be granted in favour of the Monitor, its legal counsel and the Cover-All Group’s legal counsel, in respect of their fees and disbursements incurred at their standard rates and charges, which Applicants’ Advisors Administration Charge is to be in an aggregate amount of \$500,000.

224. It is also contemplated that a Court-Ordered charge over the assets, property and undertaking of the Cover-All Group (the “**Lenders’ Advisors Administration Charge**”) would be granted in favour of the Lenders’ counsel and financial advisors and appraisers, in respect of their fees and disbursements incurred at their standard rates and charges, which Lenders’ Advisors Administration Charge is to be in an aggregate amount of \$200,000.

225. The Lenders have consented to the Applicants’ Advisors Administrative Charge and the Lenders’ Advisors Administration Charge.

V. DIRECTORS & OFFICERS’ CHARGE

226. The directors of the Cover-All Group have been actively involved in the attempts to address the Cover-All Group’s current financial circumstances and difficulties, including through the exploration of alternatives, communicating with the principal secured lenders, the Cover-All Group’s engagement of outside engineering consultants, and the commencement of the within CCAA Proceedings. The directors have been mindful of their duties with respect to the supervision and guidance of the Cover-All Group in advance of these CCAA Proceedings.

227. The Cover-All Group has made inquiries regarding the availability of indemnification coverage for the directors and senior officers on a going forward basis. To that end, the Cover-All Group has approached ~~the following entities:~~ ● Willis Canada, Inc. and Willis M&A Group, brokers in Canada and the U.S., respectively. However, the Cover-All Group has been unsuccessful in its attempt to obtain indemnification coverage on a going forward basis at a reasonable rate for the obligations of the directors and senior officers.

228. In order to complete a successful restructuring, which may include the sale of all or parts of the Property belonging to the Cover-All Group, the members of the Cover-All Group require the active and committed involvement of the directors and senior officers of the Cover-All Group.

229. The Applicants request a Court-Ordered charge in the amount of \$500,000 over the assets, property and undertaking of the Applicants to indemnify the directors and senior officers of the Applicants in respect of liabilities they may incur in such capacities from and after the commencement of these proceedings (the “**D&O Charge**”)

230. The Lenders have consented to the D&O Charge.

VI. PRIORITIES OF CHARGES

231. It is contemplated that the priorities of the various charges set out herein will have the following priorities:

- (a) First – the Applicants’ Advisors Administration Charge to a maximum of \$500,000 and the Lenders’ Advisors Administration Charge to a maximum of \$200,000, on a *pari passu* basis as between them; and

(b) Second – the D&O Charge to a maximum of \$500,000.

232. The Order sought by the Applicants provides for the Applicants' Advisors Administrative Charge, the Lenders' Advisors Administration Charge and a D&O Charge (collectively, the "Charges") on the Property ranking in priority to all security interests and encumbrances, statutory or otherwise, except for any validly perfected security interest in favour of a "secured creditor" as defined in the CCAA not provided with notice of the Order sought or any encumbrance existing on the date of the Order in respect of any of source deductions from wages, employer health tax, workers compensation, federal or provincial sales taxes and vacation pay, in favour of a "secured creditor" as defined in the CCAA not provided notice of the Order sought.

233. The Applicants have provided notice of the within proceedings to the Lenders under the Senior Credit Agreement and the Subordinate Credit Agreement. The Applicants may subsequently appear before this Honourable Court to seek priority of the Charges over other existing secured creditors on notice to such secured creditors.

VII. CONCLUSION

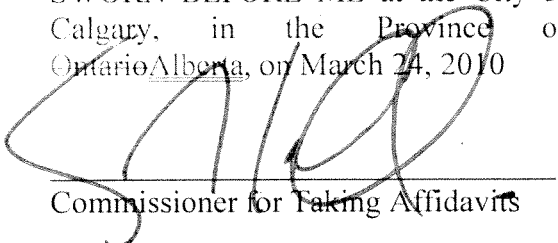
234. The Cover-All Business has been severely impacted by the downturn in the global market conditions and the corresponding decrease in demand for prefabricated buildings. As a result of declining sales, the Cover-All Group was unable to meet certain financial covenants under its Senior Credit Agreement and further funding is not available unless a restructuring is commenced and a Court-ordered charge is granted to secure additional funding. Additionally, certain potential engineering issues that were recently discovered regarding some of the TITAN buildings, the prudent investigations into whether other building series models have potential

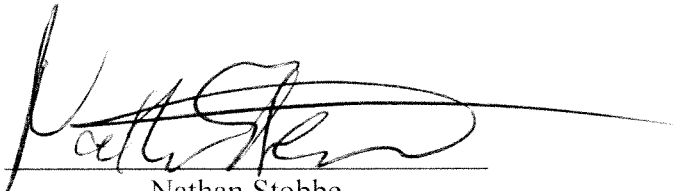
engineering issues and suspension of production while such investigations are completed have put further strain on the Cover-All Group.

235. Despite the efforts undertaken to date to address the current financial situation and circumstances, the Cover-All Group could not effect a solution that would be in the best interests of its stakeholders without the assistance of this Honourable Court. The Cover-All Business is at risk of a significant erosion of value if proceedings to protect it are not commenced. The Applicants believe that the best possible alternative for all stakeholders will be achieved through a restructuring, which may include a sale of parts or all of the Property of the Cover-All Group.

236. The Order sought by the Applicants will provide them with the opportunity to seek a restructuring of the Cover-All Business in the best interests of its stakeholders.

SWORN BEFORE ME at the City of
Calgary, in the Province of
~~Ontario~~ Alberta, on March 24, 2010


Commissioner for Taking Affidavits


Nathan Stobbe

SEAN F. COLLINS
BARRISTER & SOLICITOR