

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE)
JUSTICE MESBUR)
)
)
)

TUESDAY, THE 22ND DAY
OF FEBRUARY, 2011

IN THE MATTER OF AN APPLICATION UNDER
SECTION 47 (1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*
R.S.C. 1985, C.B-3

AND IN THE MATTER of SECTION 101 of *THE*
COURTS of JUSTICE ACT, R.S.O. 1990, C.C-43

B E T W E E N:

PEOPLES TRUST COMPANY

Applicant

- and -

PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED

Respondents

DISTRIBUTION ORDER

THIS MOTION made by Deloitte & Touche Inc. ("**Deloitte**"), appointed as interim receiver and receiver and manager (the "**Receiver**") pursuant to section 101 of the *Courts of Justice Act*, without security, of the property, assets and undertaking of Paragon Health Care Inc. ("**Paragon**"), Paragon Health Care (Ontario) Inc. ("**Paragon Ontario**") and 1508669 Ontario Limited ("**1508669**") pursuant to the terms of the Order of the Honourable Mr. Justice Cumming dated January 23, 2006 and effective 9:00 a.m.

on January 24, 2006 (the “**Initial Order**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Sixth Report of the Receiver dated February 15, 2011 (the “**Sixth Report**”) and the Affidavits of Harry Vanderlugt sworn February 1, 2011, filed, and Hartley M. Bricks sworn February 14, 2011, filed, and upon hearing the submissions of counsel for the Receiver, no other parties attending.

1. **THIS COURT ORDERS** that service of the Notice of Motion and the Motion Record herein is hereby abridged, if necessary, and that this motion is properly returnable today and that service, including the form, manner and time that such service was actually effected on all parties, is hereby validated, and where such service was not effected such service is hereby dispensed with.

2. **THIS COURT ORDERS** that the Sixth Report is hereby accepted and approved.

3. **THIS COURT ORDERS** that the conduct of the Receiver and its agents to date, as detailed in the Sixth Report, be and the same is hereby approved.

4. **THIS COURT ORDERS** that the Interim Statements of Receipts and Disbursements of the Receiver for the period January 24, 2006 to February 11, 2011 in respect of Paragon, Paragon Ontario and 1508669 as respectively set out in **Appendices “N”, “O” and “P”** to the Sixth Report, filed, be and the same are hereby accepted and approved.

5. **THIS COURT ORDERS** that the fees of the Receiver relating to the receivership of Paragon and 1508669 for the period from October 1, 2009 to October 31, 2010 in the amount of \$169,885.53 in respect of Paragon and \$115,828.78 in respect of 1508669, as set out in the Affidavit of Hartley M. Bricks sworn February 14, 2011, filed, be and the same are hereby approved.

6. **THIS COURT ORDERS** that the fees and disbursements of Gowling Lafleur Henderson LLP, counsel to the Receiver, in the amount of \$42,052.07 in respect of Paragon and \$19,003.57 in respect of 1508669, as set out in the Affidavit of Harry Vanderlugt sworn February 14, 2011, filed, be and the same are hereby approved for the period December 31, 2009 to December 31, 2010.

7. **THIS COURT ORDERS** that the Receiver is authorized and hereby directed to distribute the total sum of \$2,000,000.00 to Peoples Trust Company, as partial payment on account of its secured claims against Paragon.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

FEB 22 2011

PER / PAR:



Court File No.: 06-CL-6233

PEOPLES TRUST COMPANY

- and -

PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED

ONTARIO

SUPERIOR COURT OF JUSTICE

(PROCEEDING COMMENCED AT TORONTO)

DISTRIBUTION ORDER

Gowling Lafleur Henderson LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto, Ontario
M5X 1G5

Clifton P. Prophet / Frank Lamie
LSUC No.: 34345K / 54035S

Telephone: (416) 862-7525
Facsimile: (416) 862-7661

Solicitors for Deloitte & Touche Inc. in its capacity as Interim Receiver and Receiver and Manager of the current and future assets, undertakings and properties of Paragon Health Care Inc., Paragon Health Care (Ontario) Inc. and 1508669 Ontario Limited