

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)  
COMMERCIAL LIST**

**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**

**BETWEEN:**

**PEOPLES TRUST COMPANY**

Applicant

- and -

**PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED**

Respondents

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**MOTION RECORD  
(Returnable November 9, 2011)**

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**GOWLING LAFLEUR HENDERSON LLP**  
Barristers and Solicitors  
Suite 1600, 1 First Canadian Place  
100 King Street West  
Toronto, Ontario M5X 1G5

**Clifton Prophet (LSUC No. 34845K)**  
**Frank Lamie (LSUC No. 54035S)**  
Telephone: (416) 862-7525  
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Solicitors for Deloitte & Touche Inc. in its  
capacity as Interim Receiver and  
Receiver and Manager of current and  
future assets, undertakings and  
properties of Paragon Health Care Inc.,  
Paragon Health Care (Ontario) Inc. and  
1508669 Ontario Limited

## **SERVICE LIST**

**TO:** Paragon Health Care Inc., Paragon Health Care (Ontario) Inc. and  
1508669 Ontario Limited  
c/o Gerald Harquail  
131 Beecroft Road, Suite 201  
Toronto, Ontario M2N 5G9

**AND TO: SACK GOLDBLATT MITCHELL**  
Suite 1130, Box 180  
20 Dundas Street West  
Toronto, Ontario M5G 2G8

**Attention: Doug LeFaive**  
Tel.: 416-977-6070  
Fax: 416-591-7333  
Email: [dlefaive@sgmlaw.com](mailto:dlefaive@sgmlaw.com)

Solicitors for Service Employees Union International, CUPE and the  
Nurses and Related Industries Pension Plan

**AND TO: MINISTRY OF FINANCE, Insolvency Unit**  
33 King Street West, 6<sup>th</sup> Floor  
Oshawa, Ontario L1H 8H5

**Attention: Sandra Courvoisier**  
Tel: 905-433-6677  
Fax: 905-436-4524  
Email: [sandra.courvoisier@ontario.ca](mailto:sandra.courvoisier@ontario.ca)

**AND TO: DEPARTMENT OF JUSTICE (CANADA)**  
Ontario Regional Office  
The Exchange Tower, Box 36  
130 King Street West, Suite 3400  
Toronto, Ontario M5X 1K6

**Attention: Diane Winters**  
Tel: 416-973-3172  
Fax: 416-973-0810  
Email: [diane.winters@justice.gc.ca](mailto:diane.winters@justice.gc.ca)

**AND TO: HEENAN BLAIKIE**  
Bay Adelaide Centre  
P.O. Box 2900  
333 Bay Street, Suite 2900  
Toronto, Ontario M5H 2T4

**Attention: Leslie Wittlin**  
Tel: 416-643-6961  
Fax: 416-360-8425  
Email: [lwittlin@heenan.ca](mailto:lwittlin@heenan.ca)

Independent Counsel to Deloitte & Touche Inc.

**AND TO: MINISTRY OF HEALTH AND LONG-TERM CARE**  
Hepburn Block, 10<sup>th</sup> Floor  
80 Grosvenor Street  
Toronto, Ontario M7A 2J9

**Attention: Leonard Marsello**

**AND TO: THE CONSUMERS' GAS COMPANY LTD.**  
c/o Enbridge  
500 Consumers Road  
North York, Ontario M2J 1P8

**AND TO: GINETTE HARQUAIL**  
131 Beecroft Road, Suite 201  
Toronto, Ontario M2N 5G9

**AND TO: JOHN ALPAUGH, PETER BOULTBEE, KENNETH MAIDEN,  
SUSAN MAYNARD, JUDITH MOORE, ROBERT REID,  
RICHARD WEBB, JOHN SINCLAIR, GAIL WEILER,  
RHONDA KLOSLER, SMITH, NIXON & CO. LLP**  
390 Bay Street, Suite 1900  
Toronto, Ontario M5H 2Y2

**AND TO: CHAITONS LLP**  
5000 Yonge Street, 10<sup>th</sup> Floor  
Toronto, Ontario M2N 7E9

**Attention: George Benchetrit / Robert Miller**  
Tel: 416-218-1141 / 416-218-1134  
Fax: 416-218-1841 / 416-218-1834  
Email: [george@chaitons.com](mailto:george@chaitons.com) / [robert@chaitons.com](mailto:robert@chaitons.com)

Solicitors for GEM Health Care Group Limited

**AND TO: OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE**  
595 Bay Street  
Suite 800  
Toronto, Ontario M5G 2M6

**AND TO: MILLER THOMSON LLP**  
One London Place  
255 Queens Avenue, Suite 2010  
London, Ontario N6A 5R8

**Attention: Alissa Mitchell**  
Tel: 519-931-3510  
Fax: 519-858-8511  
Email: [amitchell@millerthomson.com](mailto:amitchell@millerthomson.com)

Solicitors for SAC 4 Inc.



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# TAB 1

Court File No. 06-CL-6233

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)  
COMMERCIAL LIST**

**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

**NOTICE OF MOTION**

**DELOITTE & TOUCHE INC.** in its capacity as Interim Receiver and Receiver and Manager (the "**Receiver**") of the current and future assets, undertakings and properties (the "**Assets**") of each of Paragon Health Care Inc. ("**Paragon**"), Paragon Health Care (Ontario) Inc. ("**Paragon Ontario**") and 1508669 Ontario Limited ("**1508669**") will make a motion to the Court on Wednesday, November 9<sup>th</sup>, 2011 at 10:00 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto.

**THE PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

1. Orders, substantially in the form attached hereto as **Schedule "A"** and **Schedule "B"**:
  - (a) abridging the time for and validating service of this Notice of Motion and the motion materials filed in support of this motion and dispensing with further service thereof;
  - (b) approving the Receiver's actions and activities with respect to the receivership of Paragon, Paragon Ontario and 1508669 as set out in the Seventh Report of the Receiver dated November 1, 2011 (the "**Seventh Report**");
  - (c) approving the interim statements of receipts and disbursements of the Receiver for the period January 24, 2006 to September 30, 2011 for Paragon, Paragon Ontario and 1508669.
  - (d) approving the fees and disbursements of the Receiver and those of its counsel as set out in the Seventh Report;
  - (e) authorizing and directing the Receiver to distribute funds to Peoples Trust Company ("**Peoples**") in the amount of \$1,250,000 held by the Receiver as proposed in the Seventh Report;
  - (f) approving the sale by the Receiver to SAC 4 Inc. ("**SAC 4**" or the "**Purchaser**") of the property, assets and undertaking of 1508669 constituting the West Park Health Centre (the "**Purchased Assets**"), as more particularly described in an Agreement of Purchase and Sale (the "**APS**") between the Receiver as vendor and SAC 4 as purchaser;

- (g) providing for the vesting of the Purchased Assets in SAC 4, free and clear of all encumbrances except those specifically permitted under the APS; and
  - (h) sealing **Appendix "H"** to the Seventh Report, being an unredacted version of the APS, pending the successful completion of the SAC 4 transaction.
2. Such further and other relief as counsel may request and this Honourable Court may permit.

**THE GROUNDS FOR THE MOTION ARE:**

**Background**

1. Pursuant to an Order of this Honourable Court made on January 23, 2006 and effective 9:00 a.m. on January 24, 2006 (the "**Appointment Order**"), Mintz & Partners Limited was appointed as Interim Receiver and Receiver and Manager of the assets, undertakings and properties of Paragon, Paragon Ontario and 1508669 pursuant to subsection 47(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.1985, C. B-3 (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C. 43 (the "**CJA**").
2. Pursuant to an Order of the Honourable Madam Justice Karakatsanis dated July 2, 2008, following the merger of the accounting practices of Deloitte & Touche LLP and Mintz & Partners LLP, the name of the Receiver was changed to Deloitte & Touche Inc. ("**Deloitte**").

**Distribution to Peoples**

3. Peoples has valid and enforceable security against the property, assets and undertakings of Paragon and the business of Casa Verde, including a charge/mortgage of land, dated May 27, 1994 and registered May 30, 1994 as instrument number TB953231 in favour of First National Financial Corporation by

Paragon for the principal amount of \$10,217,600 as subsequently amended and assigned to Peoples by assignment of charge/mortgage of land registered June 15, 2000 as instrument number TR061724, and related personal property security (the "**Casa Verde First Mortgage**").

4. As of October 13, 2011, the outstanding balance of the Casa Verde First Mortgage was \$16,474,866.10, inclusive of principal and interest.
5. The Receiver seeks this Honourable Court's authorization and direction to distribute surplus funds which it now holds arising from the operations of Casa Verde to Peoples in the amount of \$1,250,000 as partial payment on account of interest arrears on the outstanding balance of the Casa Verde First Mortgage.

#### **Activities**

6. The Receiver has operated the nursing home and retirement home businesses of Paragon and 1508669 in a prudent and sustainable manner since its appointment.

#### **Sale of Casa Verde**

7. As set out in prior reports of the Receiver, the Receiver has entered into and the Court has approved an agreement (the "**GEM Sale**") to sell the long-term care home and the retirement home owned and operated by Paragon and Paragon Ontario ("**Casa Verde**") to Gem Health Care Group Limited ("**GEM**").
8. The conditions to the closing of the GEM Sale have been satisfied, save and except the approval by the Ministry of Health and Long-Term Care ("**MOHLTC**") of the transfer of the long-term care home licence to GEM. It is anticipated that this approval will be granted by December 20, 2011.

**Sale of West Park**

9. By Order of the Honourable Justice Lederman dated August 21, 2007, the Receiver was authorized and directed to undertake a marketing and sale process for the sale of the Purchased Assets, all as described in the Second Report to the Court of the Receiver dated July 27, 2007. As previously reported, this marketing and sale process did not result in an offer acceptable to the stakeholders of the business, including, primarily, the mortgagee, Peoples.
10. After no acceptable offers were generated by the sale process, on or about May 30, 2008, the Receiver engaged John A. Jensen Realty Inc. ("**Jensen Realty**") to list the Purchased Assets and the nursing home property owned by 1508669 for sale.
11. In response to the listing with Jensen Realty, SAC 4 submitted an offer to purchase the Purchased Assets and on or about April 1, 2011, the Receiver and SAC 4 entered into the APS.
12. The initial timelines for satisfaction of conditions and completion of the APS have been extended by agreement of the parties.
13. Based on the prior efforts to market and sell the Purchased Assets; valuation information available to the Receiver; and, the results of the extended listing of the property with Jensen Realty, the Receiver is of the view that the sale transaction with SAC 4 evidenced by the APS (the "**Transaction**") represents the highest and best realization available in respect of the Purchased Assets and is commercially reasonable.
14. The Transaction and APS are acceptable to Peoples.
15. Such further and other grounds as counsel may advise and this Honourable Court may permit.



**THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE MOTION:**

1. The Seventh Report of the Receiver dated November 1, 2011;
2. The Affidavit of Hartley M. Bricks sworn October 31, 2011;
3. The Affidavit of Harry R. Vanderlugt sworn October 31, 2011; and
4. Such further and other evidence as counsel may advise and this Honourable Court may permit.

Dated: November 2, 2011

**GOWLING LAFLEUR HENDERSON LLP**

Barristers & Solicitors  
Suite 1600, 1 First Canadian Place  
100 King Street West  
Toronto, Ontario M5X 1G5

**Clifton Prophet (LSUC No. 34845K)**

**Frank Lamie (LSUC No. 54035S)**

Tel: (416) 862-7525

Fax: (416) 862-7661

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

**TO: THE SERVICE LIST**

<p><b>PEOPLES TRUST COMPANY</b></p> <p>- and -</p>	<p><b>Court File No.: 06-CL-6233</b></p> <p><b>PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED</b></p>
<p><b>ONTARIO</b></p> <p><b>SUPERIOR COURT OF JUSTICE</b></p> <p>(PROCEEDING COMMENCED AT TORONTO)</p>	
<p><b>NOTICE OF MOTION</b></p>	
	<p>Gowling Lafleur Henderson LLP Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 TORONTO, Ontario M5X 1G5</p> <p><b>Clifton Prophet / Frank Lamie</b> <b>LSUC No.: 34345K / 54035S</b></p> <p>Telephone: (416) 862-7525 Facsimile: (416) 862-7661</p> <p>Solicitors for Deloitte &amp; Touche Inc. in its capacity as Interim Receiver and Receiver and Manager of current and future assets, undertakings and properties of Paragon Health Care Inc., Paragon Health Care (Ontario) Inc. and 1508669 Ontario Limited</p>

# TAB A

## Schedule "A"

Court File No. 06-CL-6233

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE  
JUSTICE

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WEDNESDAY, THE 9<sup>TH</sup> DAY  
OF NOVEMBER, 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

BETWEEN:

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 Seventh Report of the Receiver dated November 1, 2011 (the "**Seventh Report**") and the Affidavits of Harry Vanderlugt sworn October 31, 2011, filed, and Hartley M. Bricks sworn October 31, 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 Seventh 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 Seventh 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 September 30, 2011 in respect of Paragon, Paragon Ontario and 1508669 as respectively set out in **Appendices "I", "J" and "K"** to the Seventh 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 November 1, 2010 to June 30, 2011 in the amount of \$100,664.93 in respect of Paragon and \$100,708.44 in respect of 1508669, as set out in the Affidavit of Hartley M. Bricks sworn November 1, 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 \$24,027.23 in respect of Paragon and \$14,073.24 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 \$1,250,000.00 to Peoples Trust Company, as partial payment on account of its secured claims against Paragon.

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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**

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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

# TAB B



## Schedule "B"

Court File No. 06-CL-6233

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE  
  
JUSTICE ●

WEDNESDAY , THE 9TH DAY  
  
OF NOVEMBER, 2011

BETWEEN:

PEOPLES TRUST COMPANY

Applicant

– and –

PARAGON HEALTH CARE INC. AND 1508669 ONTARIO LIMITED

Respondents

## APPROVAL AND VESTING ORDER

THIS MOTION, made by Deloitte & Touche Inc. in its capacity as the Court-appointed interim receiver and receiver and manager (the "**Receiver**") of the current and future assets, undertakings and properties of 1508669 Ontario Limited (the "**Debtor**") for an order approving the sale transaction (the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Sale Agreement**") between the Receiver and SAC 4 Inc. (the "**Purchaser**") made as of April 1, 2011, as amended, appended as **Appendix "H"** to the Report of the Receiver dated November 1, 2011 (the "**Report**"), vesting in the Purchaser the Debtor's right, title and interest in and to the assets described in the Sale Agreement (the "**Purchased Assets**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Report and on hearing the submissions of counsel for the Receiver, ● <Insert names of other parties appearing.> , no one appearing for any other

person on the service list, although properly served as appears from the affidavit of ●<Insert name.> sworn ●, 20● filed:

1. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and that the Sale Agreement is commercially reasonable and in the best interests of the Debtor and its stakeholders. The execution of the Sale Agreement by the Receiver is hereby authorized and approved, and the Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. THIS COURT ORDERS AND DECLARES that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as **Schedule A** hereto (the "**Receiver's Certificate**"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreement shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Cumming dated January 23, 2006; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on **Schedule C** hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on **Schedule D**) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

3. THIS COURT ORDERS that upon the registration in the Land Registry Office for the Land Registry Division of Niagara North (No. 30) of a Transfer/Deed of Land in the form prescribed by the *Land Registration Reform Act* (Ontario) duly executed by the Receiver, the Land Registrar for the Land Registry Division of Niagara North (No. 30) is hereby directed to enter the Purchaser as the owner of the subject real property identified in **Schedule B** hereto (the "**Real Property**") in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in **Schedule C** hereto.

4. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. THIS COURT ORDERS AND DIRECTS the Receiver to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof.

6. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Debtor's records pertaining to the Debtor's past and current employees, including personal information of the Assumed Employees, as defined in the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.

7. THIS COURT ORDERS that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

**SCHEDULE A**

**FORM OF RECEIVER'S CERTIFICATE**

Court File No. ●

**ONTARIO**

**SUPERIOR COURT OF JUSTICE**

**COMMERCIAL LIST**

**BETWEEN :**

●

Plaintiff

●

Defendant

**RECEIVER'S CERTIFICATE**

**RECITALS**

**A.** Pursuant to an Order of the Honourable Justice Cumming of the Ontario Superior Court of Justice (the "**Court**") dated January 23, 2006, Mintz & Partners Limited, now Deloitte & Touche Inc., was appointed as the interim receiver and receiver and manager (the "**Receiver**") of the current and future assets, undertakings and properties of 1508669 Ontario Limited (the "**Debtor**")

**B.** Pursuant to an Order of the Court dated ●, the Court approved the agreement of purchase and sale made as of April 1, 2011 (the "**Sale Agreement**") between the Receiver and SAC 4 Inc. (the "**Purchaser**") and provided for the vesting in the Purchaser of the Debtor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in section 4 of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in section 4 of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver.

This Certificate was delivered by the Receiver to the Purchaser at ● <Insert time.> on ● <Insert date.>.

**DELOITTE & TOUCHE INC.**, solely in its capacity as court appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

Per: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE B****SUBJECT REAL PROPERTY**

103-111 Pelham Road, St. Catharines, Ontario & 34-36 Witworth Street, St. Catharines, Ontario

Lots 814, 815, 816, 817, 818, & 819, Township Plan 94 and Lots 857, 858, 859, 860 & 861, Township Plan 94, St. Catharines, Property Identifier Number 46172-0268(LT); Lots 738 and 739, Township Plan 94, St. Catharines, Property Identifier Number 46172-0309(LT) City of St. Catharines (formerly Township of Grantham), Regional Municipality of Niagara

**SCHEDULE C****CLAIMS TO BE DELETED AND EXPUNGED FROM TITLE TO REAL  
PROPERTY**

1. 1508669 Ontario Limited under transfer 759592 Ontario Inc. instrument number RO699418 and application for change of name of owner instrument number NR20355.
2. West Park Holdings Ltd. under Judgment for Foreclosure registered as Instrument Number NR230588.
3. Peoples Trust Company under
  - (i) charge instrument number RO699419 as assigned by transfer of charge instrument number RO768790 and amended by agreement instrument number RO768792;
  - (ii) general assignment of rents instrument number RO699420 as assigned by instrument number RO768791.
4. HMQ-Minister of National Revenue, Canada Customs and Revenue Agency, Toronto North Tax Services office, 5001 Yonge Street, North York, ON M2N 6R9 under execution number 05-0000237 for \$67,775.07.
5. Mintz & Partners Limited in its capacity as interim receiver and receiver and manager of 1508669 Ontario Limited under Instrument Number NR92230.



**SCHEDULE D****PERMITTED ENCUMBRANCES, EASEMENTS AND RESTRICTIVE  
COVENANTS RELATED TO THE REAL PROPERTY**

(unaffected by the Vesting Order)

1. Agreements re Site Plan registered as Instrument Numbers RO200232 and RO321002.
2. Site Plan Agreement registered as Instrument Number RO416442 as amended by Agreements registered as Instrument Numbers RO424442, RO460394 and RO502090.
3. By-law registered as Instrument Number RO457591.

Zoning Regulations notice of which registered as Instrument Number RO493091

# TAB 2

Court File No. 06-CL-6233

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

BETWEEN:

**PEOPLES TRUST COMPANY**

Applicant

- and -

**PARAGON HEALTH CARE INC. AND 1508669 ONTARIO LIMITED**

Respondent

**SEVENTH REPORT TO THE COURT OF THE RECEIVER  
(dated November 1, 2011)**

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**APPENDICES**

- APPENDIX "A": Appointment Order dated January 23, 2006
- APPENDIX "B": Sixth Report of the Receiver dated February 15, 2011
- APPENDIX "C": Order of the Honourable Justice Mesbur dated February 22, 2011
- APPENDIX "D": Casa Verde Sale Order dated February 22, 2011
- APPENDIX "E": Casa Verde Nursing Home Operating Statement Summary for the period January 24, 2006 to August 31, 2011
- APPENDIX "F": Casa Verde Retirement Home Operating Statement Summary for the period January 24, 2006 to August 31, 2011
- APPENDIX "G": West Park Health Centre Operating Statement Summary for the period January 24, 2006 to August 31, 2011
- APPENDIX "H": Agreement of Purchase and Sale between the Receiver and SAC 4 Inc. dated April 1, 2011, as amended
- APPENDIX "I": Receiver's Interim Statement of Receipts and Disbursements for Paragon Health Care Inc. for the period January 24, 2006 to September 30, 2011
- APPENDIX "J": Receiver's Interim Statement of Receipts and Disbursements for Paragon Health Care (Ontario) Inc. for the period January 24, 2006 to September 30, 2011
- APPENDIX "K": Receiver's Interim Statement of Receipts and Disbursements for 1508669 Ontario Limited for the period January 24, 2006 to September 30, 2011
- APPENDIX "L": Peoples Trust Company Statement for Discharge Purposes dated October 13, 2011

## INTRODUCTION

1. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated January 23, 2006 (the "**Appointment Order**"), Mintz & Partners Limited ("**MPL**") was appointed as Interim Receiver and Receiver and Manager (the "**Receiver**") of all the assets, undertakings and property of Paragon Health Care Inc. ("**Paragon**"), Paragon Health Care (Ontario) Inc. ("**Paragon Ontario**") and 1508669 Ontario Limited ("**1508669**") (individually or collectively, the "**Debtor**") effective 9:00 am on January 24, 2006 (the "**Appointment Date**"). A copy of the Appointment Order is attached hereto as **Appendix "A"**. By Order of the Court dated July 2, 2008, following the merger of the accounting practices of Deloitte & Touche LLP and Mintz & Partners LLP, the name of the Receiver was changed to Deloitte & Touche Inc. ("**Deloitte**").
2. Paragon's assets comprise the Casa Verde Health Centre, a 252-bed nursing home ("**Casa Verde Nursing Home**") and a 94-bed retirement home ("**Casa Verde Retirement Home**") (collectively, with Casa Verde Nursing Home, "**Casa Verde**") located at 3595 Keele Street, Toronto, Ontario. 1508669's assets comprise the West Park Health Centre ("**West Park**"), a 93-bed nursing home located at 103-111 Pelham Road, St. Catharines, Ontario (collectively, with Casa Verde, the "**Homes**" or "**Facilities**").
3. Paragon Ontario is a non-operating entity that employs certain nursing staff used by Casa Verde.
4. On April 4, 2007, the Honourable Justice Cumming granted an Order (the "**April 4, 2007 Order**") approving, among other things
  - i) a distribution of \$200,000 from 1508669 to Peoples Trust Company ("**Peoples**"), the first secured creditor;
  - ii) the Receiver's activities from the Appointment Date to March 26, 2007; and

- iii) the fees and disbursements of the Receiver and those of its counsel. In support of the motion that resulted in the April 4, 2007 Order, the Receiver submitted its First Report to the Court dated March 26, 2007 ("**First Report**").
5. On August 21, 2007, the Honourable Justice Lederman granted an Order approving the Receiver's commencement of a marketing and sale process for the Homes (the "**Sale Process Order**"). In support of the motion that resulted in the Sale Process Order, the Receiver submitted its Second Report to the Court dated July 27, 2007 (the "**Second Report**").
6. The Receiver's Third Report to the Court dated August 24, 2007 was submitted in response to a motion brought by a former employee who was seeking leave to issue a Statement of Claim to commence a wrongful dismissal action against the Receiver.
7. On July 2, 2008, the Honourable Justice Karakatsanis granted an Order (the "**July 2 Order**") approving, among other things
- i) a distribution of \$800,000 from 1508669 to Peoples;
  - ii) the fees and disbursements of the Receiver and those of its counsel; and
  - iii) changing the name of the Receiver to Deloitte. In support of the motion that resulted in the July 2 Order, the Receiver submitted its Fourth Report to the Court (the "**Fourth Report**") dated June 25, 2008.
8. On December 23, 2009, the Honourable Justice Cumming granted an Order (the "**December 23 Order**") approving, among other things
- i) a distribution of \$1,000,000 from Paragon to Peoples;
  - ii) the fees and disbursements of the Receiver and those of its counsel; and
  - iii) the Receiver's actions and activities from June 26, 2008 to December 14, 2009. In support of the motion that resulted in the December 23 Order, the Receiver

submitted its Fifth Report to the Court (the “**Fifth Report**”) dated December 14, 2009.

9. On February 22, 2011, the Honourable Justice Mesbur granted an Order (the “**February 22 Order**”) approving, among other things
  - i) a distribution of \$2,000,000 from Paragon to Peoples;
  - ii) the fees and disbursements of the Receiver and those of its counsel; and
  - iii) the Receiver’s actions and activities from December 15, 2009 to February 15, 2011.
10. Also on February 22, 2011, the Honourable Justice Mesbur granted an Approval and Vesting Order (the “**Casa Verde Sale Order**”) approving the Receiver entering into and completing an Agreement of Purchase and Sale (the “**GEM APS**”) for the sale of Casa Verde to GEM Health Care Group Limited (“**GEM**”) and vesting in GEM the Debtor’s right, title and interest in the Purchased Assets (as defined in the Casa Verde Sale Order) subject to the closing of the transaction with GEM and the Receiver filing with the Court a Receiver’s Certificate. In support of the motion that resulted in the February 22 Order and the Paragon Sale Order, the Receiver submitted its Sixth Report to the Court (the “**Sixth Report**”) dated February 15, 2011. A copy of the Sixth Report without appendices is attached hereto as **Appendix “B”**. Copies of the February 22 Order and the Casa Verde Sale Order are attached hereto as **Appendix “C”** and **Appendix “D”**, respectively.
11. The purpose of this Seventh Report of the Receiver (the “**Seventh Report**”) is to:
  - i) update the Court on the operation of the Homes;
  - ii) update the Court on the status of the sale of Casa Verde;



- iii) request the Court issue an order approving an Agreement of Purchase and Sale dated April 1, 2011, including amendments thereto (the “**West Park APS**”) as between the Receiver and SAC 4 Inc. (“**SAC 4**” or the “**Purchaser**”) and, to the extent the conditions of the West Park APS are satisfied, vesting in the Purchaser all the right, title and interest of 1508669 in the assets referred to in the West Park APS free and clear of all liens, security interests and other encumbrances, save and except for the permitted encumbrances referred to in the West Park APS;
- iv) request approval of a proposed distribution of \$1,250,000 from Paragon to Peoples; and
- v) request the Court’s approval of the Receiver’s Interim Statements of Receipts and Disbursements for the period January 24, 2006 to September 30, 2011, the Receiver’s activities for the period February 16, 2011 to October 14, 2011, the Receiver’s fees for the period November 1, 2010 to June 30, 2010, and the fees of its counsel for the period January 1, 2011 to August 31, 2011.

## TERMS OF REFERENCE

- 12. In preparing this Report, the Receiver has relied upon records of the Debtor and unaudited financial information prepared by the Debtor and/or Diversicare Canada Management Services Co., Inc. (“**Diversicare**”). The Receiver has not performed an audit or other verification of such information. As set out in the First Report, Diversicare has been engaged as day-to-day manager of Casa Verde and West Park on behalf of the Receiver.
- 13. The Receiver has sought the advice of Gowling Lafleur Henderson LLP (“**Gowlings**”), counsel to Peoples, for general legal matters that have arisen in respect of the receiverships. Where the Receiver has required independent legal advice, the Receiver has sought the counsel of Lang Michener LLP (“**Lang Michener**”) and subsequently, Heenan Blaikie LLP (“**Heenan**”).

14. Capitalized terms not defined in this Report are as defined in the Appointment Order. All references to dollars are in Canadian currency unless otherwise noted.

## **OPERATIONS**

15. The Receiver has continued to operate the Facilities pursuant to the powers and duties under the Appointment Order.

### Casa Verde

#### *Occupancy*

16. At the Appointment Date, Casa Verde Nursing Home was approximately 67% occupied and Casa Verde Retirement Home was approximately 50% occupied. Upon its appointment, the Receiver commenced a capital expenditure and repair program with a goal of improving the physical premises at Casa Verde and increasing occupancy. To that end, as of August 30, 2011, and as discussed later herein, the Receiver has made capital expenditures of approximately \$1,250,000 since the Appointment Date.
17. As of September 30, 2011, Casa Verde Nursing Home is approximately 96% occupied while Casa Verde Retirement Home is at 53% occupancy. For 2010, Casa Verde Nursing Home averaged approximately 92% occupancy while Casa Verde Retirement Home averaged approximately 55% occupancy. The increase in occupancy since the Appointment Date can be attributed to the following:
- i) a more concerted marketing campaign by Casa Verde, including marketing of the local Community Care Access Centre which places new applicants in homes;
  - ii) a change to a more experienced senior management team;
  - iii) the creation of model suites for a better presentation to potential residents;
  - iv) improved appearance of Casa Verde Nursing Home through repairs and maintenance authorized by the Receiver and effected through Diversicare; and

- v) a general decrease in available beds in competitor nursing homes in the North Toronto area.
18. The Receiver continues to work with Diversicare to develop strategies to try to increase the occupancy of Casa Verde Retirement Home.

*Ministry of Health and Long-Term Care*

19. On September 13, 16 and 19, 2011, the Ministry of Health and Long-Term Care ("MOHLTC") completed a critical incident inspection with respect to an incident involving a resident at Casa Verde. The MOHLTC determined that a resident had been transferred in an unsafe manner that resulted in a fall and injuries which required hospitalization. The resident was assessed in hospital and returned to Casa Verde. The resident required further care and Casa Verde returned the resident to hospital where the resident died nine days after the incident.
20. Diversicare advised the Receiver that the resident was found in bed with injuries consistent with a fall and was transferred to hospital. Management investigated the incident (before the MOHLTC visit) and found that a personal support worker used an improper lifting device to transfer the resident which was contrary to the resident's care plan and contrary to Casa Verde's policies and procedures. Diversicare promptly terminated the personal support worker who failed to follow procedure. That employee filed a grievance over their termination, which grievance was later settled by allowing the employee to resign. Diversicare also terminated two other personal support workers who observed the fall but failed to report the incident to the Administrator until well after the incident had occurred. Those two personal support workers have also filed a grievance regarding their termination which grievance remains unsettled.
21. The MOHLTC cited Casa Verde with three written notices in connection with the fall of the resident: i) failure to comply with O. Reg 79/10, s. 107. Reports re critical incidents; ii) failure to comply with O. Reg 79/10, s. 30. General requirements; and iii) failure to comply with LTCHA, 2007 S.O. 2007, c.8, s.8 Residents' Bill of Rights. Additionally,

the MOHLTC directed Casa Verde to prepare three voluntary plans of corrective action to address the issues identified in the written notices. Diversicare advises that the voluntary plans of corrective action are in the process of being prepared for submission to the MOHLTC.

22. The MOHLTC's annual inspection of Casa Verde for 2011 has not yet taken place and could occur at any time before December 31, 2011.

#### *Accreditation*

23. On August 31, 2011, Casa Verde received notification that the long-term care home has earned accreditation from CARF International, one of two leading accreditation associations recognized by the MOHLTC that assess the quality of services provided by nursing homes. The accreditation is effective August 16, 2011 through August 31, 2014. In April 2011, Casa Verde Retirement Home received notification that its accreditation from the Ontario Retirement Communities Association was renewed for a further two year period.

#### *Legal Action*

24. On December 6, 2010, the Receiver was forwarded a Statement of Claim in which it and Diversicare were named as defendants in an action brought by a former Casa Verde resident regarding an altercation between two residents that took place at Casa Verde. The Receiver forwarded the statement of claim to its insurer which has advised the Receiver that it has engaged legal counsel to defend the action and that a mediation has been scheduled for January 2012.

#### *Human Rights Complaint*

25. As previously reported in the Sixth Report, on August 5, 2010, the Receiver was advised that on June 10, 2010 a former Casa Verde employee had filed an Application under the Human Rights Code, R.S.O. 1990, c. H 10, as amended, (the "**HR Application**") naming Casa Verde Retirement Residence and Long-Term Care and the Service Employees

International Union, Local 1 as respondents. The grounds of the HR Application are discrimination on the grounds of disability and age. Casa Verde has engaged Hicks Morley Hamilton Stewart Storie LLP to defend the HR Application as it was advised by Diversicare that the employee was terminated solely for performance related issues. The Receiver's counsel participated in a mediation on August 18, 2011. At the mediation, no settlement was reached and the Receiver continues to defend the HR Application.

### *Operating Results*

26. Attached hereto as **Appendix "E"** is a summary operating statement for Casa Verde Nursing Home for the period January 24, 2006 to August 31, 2011 (the "**Results Period**"). Casa Verde Nursing Home has generated positive operating income (before consideration of interest, depreciation and capital expenditures) of approximately \$5.7 million over the Results Period.
27. Over the Results Period, the Receiver has incurred approximately \$260,000 in restructuring costs, which are non-recurring costs substantially consisting of appraisal fees and severance and termination costs for terminated employees.
28. In addition to the operating expenses referred to in the summary operating statement, the Receiver has incurred approximately \$1,250,000 in capital expenditures for Casa Verde. The significant expenditures relate to remediation of Casa Verde's roof, replacement of certain HVAC components, refurbishment and improvement of certain wings of the building to bring these areas back into use following the Receiver's appointment in order to allow for full occupancy at Casa Verde, and the purchase of new furniture and fixtures.
29. Attached hereto as **Appendix "F"** is an summary operating statement for Casa Verde Retirement Home for the Results Period. Casa Verde Retirement Home has experienced a net operating loss of approximately \$1.97 million (before consideration of interest, depreciation and capital expenditures) over the Results Period as a result of occupancy levels in the 50% to 60% range since the Appointment Date. The Receiver is continuing

to work with Diversicare to develop strategies to increase occupancy or otherwise employ the unused space at Casa Verde Retirement Home for other revenue generating projects.

### West Park

#### *Occupancy*

30. Since the Appointment Date to 2010, occupancy at West Park had remained relatively constant at an average occupancy rate in excess of 97%. However, due to a cessation of admissions imposed by the MOHLTC over the January to March 2010 period (as discussed further below), occupancy for 2010 averaged approximately 94%.
31. In the latter half of 2010, occupancy at West Park recovered to be at or near 100%; however, commencing in 2011, occupancy at West Park has declined resulting in an average occupancy for the period January 1 to August 31, 2011 of approximately 92%. Diversicare advises that the drop in occupancy is due to a softening of the market in the St. Catharines/Niagara region. West Park's occupancy at the date of this Seventh Report is approximately 95%. At this time, it is unclear when West Park will return to 100% occupancy.

#### *Ministry of Health and Long-Term Care*

32. On March 9 and 14, 2011, the MOHLTC completed a complaint inspection with respect to a complaint filed by a family member of a West Park resident. The MOHLTC reported findings of non-compliance in the areas of fall prevention and use of restraints that resulted in the issuance of nine written notifications, three requests that voluntary plans of corrective action be prepared and five compliance orders. Diversicare has advised that all of the voluntary plans of corrective action were submitted to and approved by the MOHLTC and the compliance orders have been addressed.
33. The MOHLTC's annual inspection of West Park for 2011 has not yet taken place and could occur at any time before December 31, 2011.

*Operating Results*

34. Attached hereto as **Appendix “G”** is a summary operating statement for West Park for the Results Period. Over the Results Period, West Park has generated positive net operating income of approximately \$973,000 (before consideration of interest, depreciation and capital expenditures).
35. Until 2010, West Park had generated relatively constant positive results. However, due to the compliance matters in late 2009 and throughout most of 2010 including the cessation of admissions for a two month period in early 2010 (as described in the Sixth Report), and the increased costs incurred to address those compliance matters, West Park experienced a net loss in 2010 of approximately \$252,000.
36. For fiscal 2011, West Park’s operating net income for the period January 1, 2011 to August 31, 2011 is approximately \$95,500 which is lower than forecast operating income by approximately \$75,000. As discussed above, the shortfall is due substantially to lower than anticipated occupancy at West Park due to a softness of its local market.
37. In addition to the operating expenses referred to in the summary operating statement, over the Results Period, the Receiver has incurred approximately \$428,000 in capital expenditures for West Park. The significant expenditures relate to remediation of the roof, replacement of substantially all of the windows of the building, elevator repairs, air conditioner replacement and replacement of flooring in certain sections of the building.

**MARKETING AND SALES PROCESS**

38. Following the issuance of the Sale Process Order, the Receiver conducted a marketing and sales process (the “**First Sale Process**”), the details of which were set out in the Fourth Report. The First Sale Process failed to produce acceptable offers for the Homes.
39. On May 30, 2008, the Receiver, with the concurrence of Peoples, engaged John A. Jensen Realty Inc. (“**Jensen**”) to list the Homes for sale under separate six-month listing

agreements. Jensen's expertise is the marketing and sale of nursing and retirement home facilities. With the agreement of Peoples, the Receiver extended its listing agreements with Jensen with respect to the Homes to October 29, 2011. Jensen advertised the Homes on its website, sent marketing information on the Homes to its proprietary database of contacts of parties interested in senior's housing opportunities and also advertised the Homes on Loop Net, which purports to be the largest and most heavily trafficked commercial online real estate listing service.

40. For purposes of this Seventh Report, the Receiver has not included the names of potential purchasers, or offered purchase prices for the Homes, in order not to compromise the current or future sales efforts by the Receiver.

#### Casa Verde

41. The Sixth Report contains the details of the marketing process for Casa Verde, which culminated in the Receiver entering into the GEM APS, which agreement was approved by the Honourable Justice Mesbur through the making of the Casa Verde Sale Order.
42. Since the issuance of the Casa Verde Sale Order, by letter dated February 28, 2011, the Receiver advised the MOHLTC that it had entered into the GEM APS, which letter caused the MOHLTC to commence its Licensing Approval Process.
43. The MOHLTC has advised the Receiver that it has received all of the documents from the Purchaser as required to assess the Purchaser under the Licensing Transfer Process and that approval now lies with the Minister of Health who is evaluating the documents. Should the Minister approve the issuance of new licences to the Purchaser, pursuant to the GEM APS, the transaction is to close within 30 days of receipt of approval.
44. Section 4.1(c) of the GEM APS, as amended, set September 30, 2011 as the date by which GEM was to be satisfied of any conditions imposed by the MOHLTC on the Transaction. In addition, Section 4.3(c) of the GEM APS set November 30, 2011 as the date by which the MOHLTC shall have approved the purchase by GEM and approved GEM for transfer



of the Licence(s) or for the issue of licences similar to the Licence(s). Given the delays in obtaining MOHLTC approval for the transfer of the licences, the Receiver and GEM entered into Amending Agreement No. 3 dated September 29, 2011 that amended the date in Section 4.1(c) to November 30, 2011 and the date in Section 4.3(c) to December 20, 2011.

#### West Park

45. After a prolonged marketing and sale process, as detailed in the Sixth Report, on January 28, 2011, after having consulted with the senior secured creditor, Peoples, the Receiver accepted an offer to purchase West Park from Southbridge Investment Partnership No. 1 on behalf of a purchaser to be established (“**Southbridge**”). The Receiver understands that Southbridge is a Cambridge, Ontario partnership focused on acquiring long-term care facilities across Canada. The principals of Southbridge formerly owned and operated a company that was a significant operator of long-term care beds in Canada prior to a sale of a substantial portion of its portfolio in 1997. The Receiver understands that Southbridge, through certain limited partnerships, currently operates five long-term care facilities in Ontario. Southbridge is also the selected purchaser for another long-term care home for which Deloitte is receiver and manager under separate receivership proceedings. The purchase of this other home by Southbridge has followed similar timelines to the sale of West Park and both Peoples and CMHC are aware that Southbridge is the proposed purchaser of this other home.
46. Following acceptance of the Southbridge offer, the Receiver and Southbridge negotiated and agreed to the terms of the West Park APS. During those negotiations, Southbridge advised the Receiver that the Purchaser under the West Park APS would be SAC 4. A copy of the West Park APS including amending agreements (as discussed below) are attached hereto as **Appendix “H”**, redacted to maintain confidentiality with respect to the purchase price, pending the closing of the West Park APS. An unredacted copy of the West Park APS will be made available to the Court, subject to a request for a Sealing Order. Capitalized terms found below and not otherwise defined herein have the

meanings set out in the West Park APS.

47. The West Park APS initially provided for, amongst other things, a Due Diligence Period of 75 days and a Financing Condition period commensurate with the Due Diligence Period. On June 8, 2011, with the Due Diligence Period set to expire on June 15, 2011, SAC 4 advised the Receiver that it had not yet completed its due diligence nor satisfied its Financing Condition. Accordingly, the Receiver and SAC 4 entered into Amending Agreement No. 1 dated May 24, 2011 which extended the Due Diligence Period to July 15, 2011 and adjusted certain other related dates in the West Park APS.
48. Prior to July 15, 2011, SAC 4 advised the Receiver that it was not in a position to waive the Due Diligence Condition and that it wanted to meet with the Receiver to discuss the results of its due diligence process. Accordingly, the Receiver and SAC 4 entered into Amending Agreement No. 2 dated July 15, 2011 which extended the Due Diligence Period to August 12, 2011 in order to provide sufficient time to arrange a meeting between the parties.
49. On August 9, 2011, a meeting was convened between the Receiver and SAC 4 at which time SAC 4 advised the Receiver that during its due diligence review of West Park it had identified a number of issues that in its view necessitated adjustments to the terms and conditions of the West Park APS. The adjustments to the West Park APS that SAC 4 was seeking involved both sale price adjustments and additional conditions in the nature of information flow and operations of West Park prior to and after the eventual closing of the transaction.
50. After the August 9, 2011 meeting, the Receiver discussed with Peoples the adjustments SAC 4 tabled at the meeting. It was agreed that SAC 4 would be advised to prepare a draft amending agreement that contained the revised terms and conditions it was seeking in order that the Receiver could consider and discuss those terms with Peoples. In order to provide SAC 4 with sufficient time to prepare the draft amending agreement, the Receiver and SAC 4 entered into Amending Agreement No. 3 dated August 12, 2011

which extended the Due Diligence Period to August 19, 2011.

51. On August 18, 2011, SAC 4 provided the Receiver with a draft amending agreement which contained those revised terms and conditions to the West Park APS that SAC 4 was seeking. In order to provide the Receiver with sufficient time to assess the draft amending agreement and discuss its terms with Peoples, the Receiver and SAC 4 entered into Amending Agreement No. 4 dated August 19, 2011 which extended the Due Diligence Period to August 31, 2011. Since the target date of August 31, 2011 proved to not provide sufficient time for the parties to reach an agreement on revised terms and conditions to the West Park APS, the Receiver and SAC 4 entered into Amending Agreement No. 5 dated August 31, 2011 which extend the Due Diligence Period to September 8, 2011.
52. By way of Amending Agreement No. 6 dated September 2, 2011, the Receiver and SAC 4 agreed to amend the West Park APS to adjust the purchase price and certain other terms and conditions that were satisfactory to both the Receiver and SAC 4.
53. One of the terms of Amending Agreement No. 6 provided for the Financing Condition Period to be extended to September 30, 2011. On September 30, 2011, SAC 4 waived the Financing Condition.
54. Paragraph 4.3(a) of the West Park APS provides for the following:

“On or within 45 days following satisfaction or waiver by the Purchaser of the Due Diligence Condition and the Financing Condition, an order will have been made by the Court approving this Agreement and the Transaction and vesting in the Purchaser all the right, title and interest of the Debtor in the Assets free and clear of all liens, security interests and other encumbrances, save and except for the Permitted Encumbrances, such order to be substantially in the form of the order attached hereto as Exhibit A. Such Approval and Vesting Order will include provisions satisfactory to the Purchaser that the assets of the Debtor have not become the property of the

government as a result of the Debtor not being in good standing.”

Given that SAC 4 waived the Due Diligence Condition on September 2, 2011 and the Financing Condition on September 30, 2011, the Receiver is seeking this Court’s approval of the West Park APS through the granting of an approval and vesting order. The approval and vesting order being sought provides that title will only vest with the Purchaser upon the Receiver delivering to the Purchaser a certificate (the “**Receiver’s Certificate**”) that certifies the following (defined terms are as defined in the Receiver’s Certificate):

- i) The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
- ii) The conditions to Closing as set out in section 4 of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and
- iii) The Transaction has been completed to the satisfaction of the Receiver.

55. Pursuant to the West Park APS, SAC 4 has paid deposits totalling \$100,000 which funds are being held in trust by Gowlings pending completion of the transaction.

56. Should this Honourable Court approve the West Park APS, the Receiver will work with SAC 4 to obtain MOHLTC approval for the transfer the licences to SAC 4 pursuant to the provisions of the *Long-Term Care Homes Act, 2007*. Given the Receiver’s recent experience with the sale of Casa Verde, the licensing transfer process could take in excess of six months to complete before the license transfer is approved.

57. Paragraph 4.3(c) of the West Park APS provides for the following:

“On or before February 29, 2012, the MOH shall have approved the purchase by the Purchaser contemplated under this Agreement and the MOH shall have approved the Purchaser for transfer of the Licence(s) or for issue of licences similar to the Licence(s).”

In view of the Receiver's recent experience concerning the timing for obtaining MOHLTC approval for the transfer of licences, and on the assumption that this Honourable Court approves the West Park APS and directs the Receiver to complete the sale to SAC 4, the Receiver may be required to enter into a further amending agreement(s) with SAC 4 to extend the date by which the MOHLTC will have approved the purchase by SAC 4 and the issuance of a new licence to SAC 4, from February 29, 2012 to some other date(s) mutually acceptable to the Receiver and SAC 4.

58. To the extent that this Honourable Court does not approve the Receiver completing the West Park APS, or if the West Park APS is approved by the Court but is not completed for other reasons, public disclosure of the contents of the West Park APS, including the purchase price, could materially negatively impact the Receiver's re-marketing of West Park. For that reason, as stated above, the Receiver is seeking an Order of this Honourable Court to seal the unredacted copy of **Appendix "H"** until the Receiver's Certificate has been filed with this Honourable Court.

#### **INTERIM STATEMENTS OF RECEIPTS AND DISBURSEMENTS**

59. Attached hereto as **Appendices "I", "J" and "K"** are the Receiver's Interim Statements of Receipts and Disbursements for the period January 24, 2006 to September 30, 2011 (the "**Interim R&Ds**") for each of Paragon, Paragon Ontario and 1508669, respectively. The Interim R&Ds reflect transactions through the Receiver's accounts and do not reflect the receipts and disbursements of the operating accounts managed by Diversicare for the Receiver, which are maintained on an accrual basis and are reflected in the operating statement summaries referred to in paragraphs 26, 29 and 34 of this Seventh Report.
60. On the 22<sup>nd</sup> day of each month, MOHLTC funding is deposited into the Receiver's trust account, the amount of which is based on the census at the Homes and is fairly consistent from month to month. Each month, Diversicare provides the Receiver with a cash flow forecast for the Homes and a funding request to meet the cash flow requirements of each

of the Homes. The Receiver provides the requisite funding to Diversicare and holds the balance in its trust account.

61. Due to the compliance issues at West Park in 2010 which resulted in a drop in occupancy and increased costs to deal with those compliance issues, in late 2010, it became clear that West Park's cash receipts were insufficient to meet its obligations. As a result, in November 2010, the Receiver borrowed \$375,000 from Peoples and provided to Peoples Receiver's Certificate #1 in the amount of \$375,000. The borrowed amount was used to fund shortfalls from receipts at the end of 2010 and in the first quarter of 2011. At this time, the Receiver does not anticipate it will be in a position to repay the funding provided by Peoples from funds generated by operations prior to completion of the transaction with SAC 4.
62. As set out in the Interim R&Ds, the current cash balances in the Receiver's trust accounts as at September 30, 2011 in respect of each of the Companies is as follows:

Company	Cash Balance
Paragon	\$ 1,730,221
Paragon Ontario	3,813
1508669	161,353
Total	\$ 1,895,387

As discussed below, the Receiver is proposing to make a distribution to Peoples of a portion of the cash being held in the Receiver's Paragon trust account.

#### **PROPOSED DISTRIBUTION TO PEOPLES**

63. The Receiver has approximately \$1.73 million in its Paragon trust account.

64. With respect to the property, assets and undertaking of Paragon and the business of Casa Verde, Peoples holds the security described in Appendix “O” attached to the Fifth Report, which security includes a charge/mortgage of land made in favour of First National Financial Corporation by Paragon dated May 30, 2004 and registered as Instrument No. TB953231 as subsequently amended and assigned to Peoples and registered June 15, 2000 as Instrument No. TR061724 (the “**Casa Verde First Mortgage**”). The Receiver reported in paragraph 62 of the First Report that it had received an independent legal opinion from Lang Michener that Peoples’ security over Paragon’s assets was legal, valid and binding.
65. A copy of Peoples’ Statement for Discharge Purposes effective October 13, 2011 with respect to the Casa Verde First Mortgage is attached hereto as **Appendix “L”**. As of October 13, 2011, the outstanding balance (principal and interest) under the Casa Verde First Mortgage is \$16,474,866.10. Peoples had previously informed the Receiver that it would like to receive a payment against the outstanding balance on the Casa Verde First Mortgage should there be sufficient excess cash flow that is not required to operate Casa Verde.
66. The Receiver has determined that \$1,250,000 would be an appropriate amount to distribute to Peoples as payment against arrears interest on the Casa Verde First Mortgage and is seeking this Honourable Court’s approval to make that payment. After consideration of the amount of the proposed distribution, the Receiver should have sufficient cash to (i) continue to fund Casa Verde’s operations; (ii) address any capital costs or other costs that may be required in respect of the sale of Casa Verde or as required by the MOHLTC; and (iii) address any “clawback” claims that may be made by the MOHLTC in respect of MOHLTC funding provided to the Receiver in respect of the period following the Appointment Date.

**STATEMENTS OF ACCOUNT OF THE RECEIVER AND ITS COUNSEL**

67. The Receiver's fees for services rendered for the period November 1, 2010 to June 30, 2011 are particularized in the Affidavit of Hartley Bricks sworn October 31, 2011 and the invoices attached as exhibits thereto. The total amount of the invoices for this period is \$100,664.93 in respect of Paragon and \$100,708.44 in respect of 1508669, inclusive of HST (the "**Receiver's Fees**").
68. The fees and disbursements of Gowlings, counsel for Peoples Trust, in respect of work performed for the Receiver, for the period January 1, 2011 to August 31, 2011 are particularized in the Affidavit of Harry VanderLugt sworn October 31, 2011 and the invoices are attached as exhibits thereto. The total amount of the invoices for this period is \$7,288.79 in respect of Paragon and \$12,875.62 in respect of 1508669, inclusive of HST ("**Gowling's Fees**").
69. The fees and disbursements of Heenan, independent counsel to the Receiver, in respect of work performed for the Receiver, for the period February 15 to February 22, 2011 are \$1,231.02 in respect of Paragon and \$662.86 in respect of 1508669, inclusive of HST ("**Heenan's Fees**")
70. The Receiver has reviewed the invoices of Gowlings and Heenan and finds the work performed and charges to be appropriate and reasonable.
71. The Receiver has sought and received the approval of Peoples prior to taking interim draws against the fees of the Receiver and Gowlings.
72. The Receiver is seeking this Honourable Court's approval of its activities to October 14, 2011, the Receiver's Fees, Gowling's Fees and Heenan's Fees as set out above.

**RECEIVER'S REQUEST TO THE COURT**

73. The Receiver is respectfully seeking an order:



- i) approving the actions and activities of the Receiver from February 16, 2011 to October 14, 2011;
- ii) approving the Interim R&D's for the period January 24, 2006 to September 30, 2011;
- iii) approving the Receiver entering into and completing the West Park APS and the Court granting an approval and vesting order;
- iv) sealing **Appendix "H"** to this Seventh Report until such time as the West Park APS is completed and the Receiver's Certificate is issued by the Receiver and filed with this Honourable Court;
- v) approving a distribution to Peoples in the amount of \$1,250,000 to be applied against interest outstanding on the Casa Verde First Mortgage; and
- vi) approving the Receiver's Fees, Gowling's Fees and Heenan's Fees.

All of which is respectfully submitted to this Honourable Court.

DATED this 1<sup>st</sup> day of November, 2011.

**Deloitte & Touche Inc.**

in its capacity as Interim Receiver and Receiver and Manager of  
the assets, undertakings and properties of  
Paragon Health Care Inc., Paragon Health Care (Ontario) Inc.  
and 1508669 Ontario Limited and not in its personal capacity

*Deloitte + Touche Inc.*

Daniel R. Weisz, CA•CIRP, CIRP  
Senior Vice President

Hartley Bricks, MBA, CA•CIRP, CIRP  
Vice President

# TAB A

Court File No. 06-CL-6233

**ONTARIO**

**SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)**

**COMMERCIAL LIST**

THE HONOURABLE	)	MONDAY, THE 23 <sup>rd</sup> DAY
	)	
JUSTICE CUMMING	)	OF JANUARY, 2006

**PEOPLES TRUST COMPANY**

Applicant

- and -

**PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED**

Respondents

**APPLICATION UNDER section 47 of Bankruptcy and  
Insolvency Act, R.S.C. 1985, c. B-3, and under section  
101 of the Courts of Justice Act, R.S.O. 1990, c. C.43**

**ORDER**

**THIS MOTION**, made by the Applicant for an Order pursuant to section 47(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C-43, as amended (the "CJA") appointing Mintz & Partners Limited ("Mintz") as interim receiver and receiver and

manager (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Paragon Health Care Inc. ("Paragon") and 1508669 Ontario Limited ("150 Ontario") was heard this day at 393 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of James Dysart sworn January 13, 2006 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant and the Respondents, no one appearing for the persons referenced in the Service List appended hereto as **Appendix "A"**, although duly served as appears from the affidavit of service of Carla Clarizia sworn January 17, 2006 (the "Affidavit of Service") and on reading the consent of Mintz to act as the Receiver,

#### **SERVICE AND AMENDMENT**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged so that this motion is properly returnable today, service upon those parties described in the Affidavit of Service is hereby validated and any further service of the Notice of Application and Application Record is hereby dispensed with.

2. **THIS COURT ORDERS** that Paragon Health Care (Ontario) Inc. ("Paragon Ontario") be added as a respondent to these proceedings.

#### **APPOINTMENT**

3. **THIS COURT ORDERS** that pursuant to section 47(1) of BIA and section 101 of the CJA, effective 9:00 a.m. Eastern Standard Time January 24, 2006, Mintz is hereby appointed Receiver, without security, of all of the current and future assets, undertakings and properties of Paragon, 150 Ontario and Paragon Ontario (collectively, the "Debtors"), of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property"), including, without limitation, the real property described in **Appendix "B"** hereto.

**RECEIVER'S POWERS**

4. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, protect and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate and carry on the business of the Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business or cease to perform any contracts of the Debtors;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the powers and duties conferred by this Order, including, without limitation, Diversicare Canada Management Services Co., Inc., or such other third party operator as the Receiver may in its discretion designate (the "Manager");
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;

- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors and to collect any payments or subsidies from the Ontario Ministry of Health and Long Term Care (the "MOH") and any municipalities, provided, however, that notwithstanding anything herein contained, any monies received by the Receiver from the MOH pursuant to this Order shall be used or applied by the Receiver only in accordance with the operation of the Debtors' nursing homes which are currently licensed pursuant to the *Nursing Homes Act*, R.S.O. 1990, c. N-7, as amended and the regulations thereunder (the "NHA") and related policy (and which amounts will be subject to MOH review and reconciliation as provided for by applicable law);
- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtors;
- (j) to undertake such repairs and improvements to the Property as the Receiver may, in its discretion, deem appropriate or the MOH may require;
- (k) to apply for such permits, licenses, approvals or permissions as may be required by any governmental authority with respect to the Property, including, without limitation, licenses under the NHA;
- (l) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to

settle or compromise any such proceedings, including, without limitation, any grievances or other labour disputes. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

- (m) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (n) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
  - (i) without the approval of this Court in respect of any transaction not exceeding \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$200,000; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,

and in each such case notice under subsection 63(4) of the *Ontario Personal Property Security Act* or section 31 of the *Ontario Mortgages Act*, as the case may be, shall not be required, and in each case the *Ontario Bulk Sales Act* shall not apply.

- (o) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (p) to report to, meet with and discuss with such secured and unsecured creditors of the Debtors and their advisors as the Receiver deems appropriate on all matters relating to the Property and the receivership,

and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

- (q) to register a copy of this Order and any other Orders in respect of the Property against title to any or all of the Property;
- (r) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;
- (s) to enter into arrangements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors and the power to lend money to or indemnify any such trustee, such trustee borrowings or indemnity not to exceed \$25,000 unless otherwise increased by this Court;
- (t) to vote any shares and exercise any rights which the Debtors may have as shareholder and to otherwise deal with all securities, warrants or other interests held by the Debtors, for its benefit; and,
- (u) to take any steps reasonably incidental to the exercise of these powers,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons, including the Debtors, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

5. **THIS COURT ORDERS** that (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents and shareholders, any other persons acting on their instructions or behalf including, without limitation, any accountants



or legal counsel, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request, other than documents or information which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that all Persons shall deliver to the Receiver all of the Debtors' books, documents, securities, contracts, orders, corporate and accounting records and all computer records, computer programs, computer tapes, computer disks, data storage media and programs containing any such information, and any other papers, records and information of any kind of the Debtors relating thereto in their possession or control (the foregoing, collectively, the "Records"), and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver access to and use of accounting, computer, software and physical facilities relating thereto.
7. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to obtain access to, recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including,

without limiting the generality of the foregoing, providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

8. **THIS COURT ORDERS** that no proceeding, enforcement process, or extra-judicial proceeding in any court or other tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver or any person engaged by the Receiver, including the Manager, except with the written consent of the Receiver or with leave of this Court.

#### **NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY**

9. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

10. **THIS COURT ORDERS** that all rights and remedies against the Debtors or affecting the Property are hereby stayed and suspended pending written consent of the Receiver or leave of this Court, provided, however, that nothing in this paragraph or this Order shall:

- (a) empower the Receiver or the Debtors to carry on any business which the Debtors are not lawfully entitled to carry on;
- (b) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, or other mandatory statutory or regulatory provisions of applicable law, and, for greater certainty, this Order shall not be construed so as to prohibit,

restrain, impede or in any way interfere with the MOH, the Director under the NHA, or employees or agents of the MOH (collectively, the "Minister") in exercising any jurisdiction, duty, power, or authority granted under the NHA or the *Health Facilities Special Orders Act*, R.S.O. 1990, c. H.5, as amended, without further order of this Court or the written consent of the Receiver (including, without limitation, the right to suspend a licence, to take control of a home, or to terminate a service agreement), where it has been determined by the Minister to be necessary to protect the health, safety and welfare of residents, and any such exercise by the Minister shall not in any way diminish or derogate from the protections against liabilities afforded to the Receiver under this Order, or under the provision of the BIA, or at law or equity; or,

- (c) prevent the filing of any registration to preserve a security interest or a claim for lien.

#### **NO INTERFERENCE WITH THE RECEIVER**

11. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour renewal rights, alter, interfere with, repudiate, terminate or cease to perform any right, contract, arrangement, agreement, licence or permit in favour of or held by the Debtors, without written consent of the Receiver or leave of this Court, and, without limiting the generality of the foregoing, the MOH is hereby directed to make all payments of funds to which the Debtors are entitled directly to the Receiver and the MOH shall not suspend, cancel or set-off such payments without further order of this Court, provided, however, that nothing in this paragraph shall exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, or other mandatory statutory or regulatory provisions of applicable law from and after the date of this order.

#### **CONTINUATION OF SERVICES**

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, failing to honour renewal rights on reasonable terms, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

#### **RECEIVER TO HOLD FUNDS**

13. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver ("Receipts") from and after the making of this Order from any source whatsoever, including, without limitation, the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

**EMPLOYEES**

14. **THIS COURT ORDERS** that the Receiver shall not be liable for any non-unionized employee-related liabilities, including, without limitation, wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than such amounts as the Receiver may specifically agree in writing to pay, or such amounts as may be determined in a Proceeding before a court or tribunal of competent jurisdiction.
15. **THIS COURT ORDERS** that the Receiver shall not be liable for any unionized employee-related liabilities, including, without limitation, wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than in accordance with the terms of the agreements appended as to the Supplementary Affidavit of James Dysart (the "Labour Agreements"), which Mintz is hereby authorized to execute in its capacity as Receiver and, if applicable, Trustee in Bankruptcy, and, for greater certainty, leave shall not be granted to any person, pursuant to s. 215 of the BIA, to commence proceedings against the Receiver or, if applicable, the Trustee in Bankruptcy, in respect of matters forming the subject matter of the Labour Agreements, other than in accordance with the terms thereof.
16. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canadian *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to

it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

#### **LIMITATION ON ENVIRONMENTAL LIABILITIES**

17. **THIS COURT ORDERS** that nothing herein contained shall require or obligate the Receiver to occupy or to take control, care, charge, occupation, possession or management of any of the Property which may be environmentally contaminated, or a pollutant or a contaminant, or cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other legislation, statute, regulation or rule of law or equity respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the Canadian *Environmental Protection Act*, the Ontario *Environmental Protection Act*, the Ontario *Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that the Receiver shall promptly advise the Ontario Ministry of the Environment of any obvious or known environmental condition existing on or in any of the Property in accordance with applicable Environmental Legislation.

#### **RECEIVER'S ACCOUNTS**

18. **THIS COURT ORDERS** that any expenditure or liability which shall properly be made or incurred by the Receiver, including (subject to the approval of the Court) the fees of the Receiver and the fees and disbursements of its legal counsel, incurred at the normal rates and charges of the Receiver and its counsel (the "Receiver's Operating Costs"), shall be allowed to it in passing its accounts and shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any

Person, including, without limitation, the security interest of Peoples Trust Company (the "Receiver's Charge").

19. **THIS COURT ORDERS** the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are referred to a judge of the Commercial List of the Ontario Superior Court of Justice.
20. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

#### **FUNDING OF THE RECEIVERSHIP**

21. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$750,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge.

22. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
23. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as **Appendix "C"** hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.
24. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a pari passu basis.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

25. **THIS COURT ORDERS** that the liability that the Receiver may incur as a result of its appointment or as a result of the performance of its duties hereunder other than the Receiver's Operating Costs or any liability arising as a result of its gross negligence or wilful misconduct (the "Receiver's Liabilities"), shall be limited in the aggregate to the Net Realizable Value of the Property. The Net Realizable Value of the Property shall be the proceeds realized in cash from the disposition of the Property after the Receiver's Operating Costs, including monies borrowed hereunder, have been paid.
26. **THIS COURT ORDERS** that the Receiver's Liabilities shall form a charge on the Net Realizable Value of the Property (the "Receiver's Liability Charge") subordinate to the Receiver's Charge and the Receiver's Borrowings Charge.

#### **GENERAL**

27. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.



28. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States or elsewhere to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
29. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.
30. **THIS COURT ORDERS** that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, as provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis.
31. **THIS COURT ORDERS** that any interested party may apply to this Court, within 30 days of mailing to them of a copy of this Order, to vary or amend this Order on seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

  
JOSEPH P. VAN TASSEL  
REGISTRAR

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

JAN 24 2006

PER/PAR: 

**APPENDIX "A"****SERVICE LIST**

**TO: PARAGON HEALTH CARE INC.**  
3595 Keele Street  
Toronto, Ontario  
M3J 1M7

**Attention: Gerald Harquail, President**

**AND TO: 1508669 ONTARIO LIMITED**  
103-111 Pelham Road  
St. Catherines, Ontario  
L2S 1S9

**Attention: Gerald Harquail, President**

**AND TO: SACK GOLDBLATT MITCHELL**  
Suite 1130, Box 180  
20 Dundas St. W.  
Toronto, Ontario  
M5G 2G8

**Attention: Michael Kainer**  
Tel: (416) 977-6070  
Fax: (416) 591-7333

Solicitors for Service Employees International Union, Local 1.0n,  
Canadian Union of Public Employees and its Local 1263 and the Nursing  
Homes and Related Industries Pension Plan

**AND TO: MINISTRY OF FINANCE, Insolvency Unit**  
33 King Street West, 6<sup>th</sup> Floor  
Oshawa, Ontario  
L1H 8H5

**AND TO: DEPARTMENT OF JUSTICE (CANADA)**  
Ontario Regional Office  
The Exchange Tower, Box 36  
130 King Street West, Suite 3400  
Toronto, Ontario  
M5X 1K6

**Attention: Diane Winters**  
Tel: (416) 973-3172  
Fax: (416) 973-0810

**AND TO: LANG MICHENER LLP**  
BCE Place, P.O. Box 747  
Suite 2500, 181 Bay Street  
Toronto, Ontario  
M5J 2T7

**Attention: Les Wittlin**  
Tel: (416) 360-8600  
Fax: (416) 365-1719

Solicitors for Mintz & Partners Limited

**AND TO: Ginette Harquail**  
c/o Paragon Health Care Inc.  
3595 Keele Street  
Toronto, Ontario  
M3J 1M7

**AND TO: MINISTRY OF HEALTH AND LONG TERM CARE**  
56 Wellsley Street West, 9<sup>th</sup> Floor  
Toronto, Ontario  
M7A 2J9

**Attention: Tim Burns, Director, Long Term Care Homes Branch**

**AND TO: CAPPELLACCI DAROZA LLP**  
462 Wellington Street West, Suite 500  
Toronto, Ontario  
M5V 1E3

**Attention: Ernest J. Cappellacci**  
Tel: 416-955-9500  
Fax: 416-955-9503

Solicitors for Diversicare

**APPENDIX "B"****LEGAL DESCRIPTIONS OF PROPERTY**

Part Lot 17, Concession 3, W.Y.S., Township of York, designated as Part 1, Plan 64R-9597, City of Toronto, Property Identifier Number 10181-0039(LT), municipally known as 3595 Keele Street, Toronto, Ontario.

Lots 814-819 and 857-861, TP Plan 94 Grantham, City of St. Catharines, Property Identifier Number 46172-0268(LT) municipally known as 103-111 Pelham Road, St. Catharines, Ontario and Lots 738-739, TP Plan 94, Grantham, City of St. Catharines, Property Identifier Number 46172-0309(LT), municipally known as 34-36 Whitworth Street, St. Catharines, Ontario.

## APPENDIX "C"

## RECEIVER CERTIFICATE

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that [RECEIVER'S NAME], the interim receiver and receiver and manager (the "Receiver") of all of the assets, undertakings and properties of [DEBTOR'S NAME] appointed by Order of the Ontario Superior Court of Justice (the "Court") dated the \_\_\_\_ day of \_\_\_\_\_, 2006 (the "Order") made in an action (the "Action") having Court file number 06-CL-\_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$\_\_\_\_\_, being part of the total principal sum of \$\_\_\_\_\_ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the \_\_\_\_\_ day of each month] after the date hereof at a notional rate per annum equal to the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of Bank of \_\_\_\_\_ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration, expenses and liabilities.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_\_ day of \_\_\_\_\_, 2006.

[RECEIVER'S NAME], solely in its capacity as  
Receiver of the Property (as defined in the  
Order), and not in its personal capacity

Per: \_\_\_\_\_

Name:

Title:

TOR\_LAW\6220395\1

Court File No.: 06-CL-6233

BETWEEN:

PEOPLES TRUST COMPANY  
Applicant

- AND -

PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED  
Respondents

APPLICATION UNDER section 47 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, and under section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43

ONTARIO

SUPERIOR COURT OF JUSTICE  
(Commercial List)

PROCEEDING COMMENCED AT TORONTO

ORDER

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors  
Suite 1600, 1 First Canadian Place  
100 King Street West  
TORONTO, Ontario  
M5X 1G5

Massimo C. Starnino (LSUC # 41048G)

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Fax: (416) 863-3630

Solicitors for Peoples Trust Company

TOR LAW 6210771

# TAB B



Court File No. 06-CL-6233

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
[COMMERCIAL LIST]**

**BETWEEN:**

**PEOPLES TRUST COMPANY**

Applicant

- and -

**PARAGON HEALTH CARE INC. AND 1508669 ONTARIO LIMITED**

Respondent

**SIXTH REPORT TO THE COURT OF THE RECEIVER  
(dated February 15, 2011)**

**INTRODUCTION**

1. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated January 23, 2006 (the "**Appointment Order**"), Mintz & Partners Limited ("**MPL**") was appointed as Interim Receiver and Receiver and Manager (the "**Receiver**") of all the assets, undertakings and property of Paragon Health Care Inc. ("**Paragon**"), Paragon Health Care (Ontario) Inc. ("**Paragon Ontario**") and 1508669 Ontario Limited ("**1508669**") (collectively, the "**Companies**") effective 9:00 am on January 24, 2006 (the "**Appointment Date**"). A copy of the Appointment Order is attached hereto as **Appendix "A"**. By Order of the Court dated July 2, 2008, following the merger of the accounting practices of Deloitte & Touche LLP and Mintz & Partners LLP, the name of the Receiver was changed to Deloitte & Touche Inc. ("**Deloitte**").

2. Paragon's assets comprise the Casa Verde Health Centre, a 252-bed nursing home ("**Casa Verde Nursing Home**") and a 94-bed retirement home ("**Casa Verde Retirement Home**") (collectively, with Casa Verde Nursing Home, "**Casa Verde**") located at 3595 Keele Street, Toronto, Ontario. 1508669's assets comprise the West Park Health Centre ("**West Park**"), a 93-bed nursing home located at 103-111 Pelham Road, St. Catharines, Ontario (collectively, with Casa Verde, the "**Homes**" or "**Facilities**").
3. Paragon Ontario is a non-operating entity that employs certain nursing staff used by Casa Verde.
4. On April 4, 2007, the Honourable Justice Cumming granted an Order (the "**April 4, 2007 Order**") approving, among other things (i) a distribution of \$200,000 from 1508669 to Peoples Trust Company ("**Peoples**"), the first secured creditor; (ii) the Receiver's activities from the Appointment Date to March 26, 2007; and (iii) the fees and disbursements of the Receiver and those of its counsel. In support of the motion that resulted in the April 4, 2007 Order, the Receiver submitted its First Report to the Court dated March 26, 2007 ("**First Report**").
5. On August 21, 2007, the Honourable Justice Lederman granted an Order approving the Receiver's commencement of a marketing and sale process for the Homes (the "**Sale Process Order**"). In support of the motion that resulted in the Sale Process Order, the Receiver submitted its Second Report to the Court dated July 27, 2007 (the "**Second Report**").
6. The Receiver's Third Report to the Court dated August 24, 2007 was submitted in response to a motion brought by a former employee who was seeking leave to issue a Statement of Claim to commence a wrongful dismissal action against the Receiver.
7. On July 2, 2008, the Honourable Justice Karakatsanis granted an Order (the "**July 2 Order**") approving, among other things (i) a distribution of \$800,000 from 1508669 to Peoples; (ii) the fees and disbursements of the Receiver and those of its counsel; and (iii)

changing the name of the Receiver to Deloitte. In support of the motion that resulted in the July 2 Order, the Receiver submitted its Fourth Report to the Court (the "**Fourth Report**") dated June 25, 2008.

8. On December 23, 2009, the Honourable Justice Cumming granted an Order (the "**December 23 Order**") approving, among other things (i) a distribution of \$1,000,000 from Paragon to Peoples; (ii) the fees and disbursements of the Receiver and those of its counsel; and (iii) the Receiver's actions and activities of the Receiver from June 26, 2008 to December 14, 2009. In support of the motion that resulted in the December 23 Order, the Receiver submitted its Fifth Report to the Court (the "**Fifth Report**") dated December 14, 2009. A copy of the Fifth Report without appendices is attached hereto as **Appendix "B"**.
9. The purpose of this Sixth Report of the Receiver (the "**Sixth Report**") is to:
  - update the Court on the operation of the Homes;
  - update the Court on the status of the marketing and sale process for the Homes;
  - request the Court issue an order approving an Agreement of Purchase and Sale (the "**GEM APS**") as between the Receiver and GEM Health Care Group Limited ("**GEM**" or the "**Purchaser**") and, to the extent the conditions of the GEM APS are satisfied, vesting in the Purchaser all the right, title and interest of Paragon and Paragon Ontario in the assets free and clear of all liens, security interests and other encumbrances, save and except for the permitted encumbrances referred to in the GEM APS;
  - request approval of a proposed distribution of \$2,000,000 from Paragon to Peoples; and
  - request the Court's approval of the fees and activities of the Receiver, and those of its counsel.

## TERMS OF REFERENCE

10. In preparing this Report, the Receiver has relied upon records of the Companies and unaudited financial information prepared by the Companies and/or Diversicare Canada Management Services Co., Inc. ("**Diversicare**"). The Receiver has not performed an audit or other verification of such information. As set out in the First Report, Diversicare has been engaged as day-to-day manager of Casa Verde and West Park on behalf of the Receiver.
11. The Receiver has sought the advice of Gowling Lafleur Henderson LLP ("**Gowlings**"), counsel to Peoples, for general legal matters that have arisen in respect of the receiverships. Where the Receiver has required independent legal advice, the Receiver has sought the counsel of Lang Michener LLP ("**Lang Michener**").
12. Capitalized terms not defined in this Report are as defined in the Appointment Order. All references to dollars are in Canadian currency unless otherwise noted.

## OPERATIONS

13. The Receiver has continued to operate the Facilities pursuant to the powers and duties under the Appointment Order.

### Casa Verde

#### *Occupancy*

14. At the Appointment Date, Casa Verde Nursing Home was approximately 67% occupied and Casa Verde Retirement Home was approximately 50% occupied. Upon its appointment, the Receiver commenced a capital expenditure and repair program with a goal of improving the physical premises at Casa Verde and increasing occupancy. To that end, as of December 31, 2010, and as discussed later herein, the Receiver has made capital expenditures of approximately \$1,188,000 since the Appointment Date.
15. As of January 31, 2011, Casa Verde Nursing Home is approximately 91% occupied while

Casa Verde Retirement Home is at 55% occupancy. For 2010, Casa Verde Nursing Home averaged approximately 94% occupancy while Casa Verde Retirement Home averaged approximately 55% occupancy. These occupancy levels are virtually identical to those reported approximately one year ago in the Fifth Report. The increase in occupancy since the Appointment Date can be attributed to the following:

- a more concerted marketing campaign by Casa Verde, including marketing of the local Community Care Access Centre which places new applicants in homes;
- a change over to a more experienced senior management team;
- the creation of model suites for a better presentation to potential residents;
- improved appearance of Casa Verde Nursing Home through repairs and maintenance authorized by the Receiver and effected through Diversicare; and
- a general decrease in available beds in competitor nursing homes in the North Toronto area.

16. The Receiver continues to work with Diversicare to develop strategies to try to increase the occupancy of Casa Verde Retirement Home.

*Ministry of Health and Long-Term Care*

Compliance

17. On February 3 and 4, 2010, the Ministry of Health and Long-Term Care ("MOHLTC") completed its annual inspection of Casa Verde Nursing Home. The MOHLTC identified certain unmet standards or criteria but did not identify any areas of non-compliance. With respect to the unmet standards identified by the MOHLTC, a Plan of Corrective Action was submitted by Casa Verde which was accepted by the MOHLTC. A copy of the correspondence from the MOHLTC dated April 20, 2010 and the Long-Term Care Home Review Summary Report is attached hereto as **Appendix "C"**. The annual inspection for

2011 has not yet taken place and could occur at any time during the year.

#### Service Accountability Agreement and Licensing

18. Pursuant to the *Long-Term Care Homes Act, 2007*, S.O 2007, c.8 (the "LTCHA"), all operators of long-term care homes ("HSP") were required by July 1, 2010 to enter into a Service Accountability Agreement ("SAA") with the Local Health Integration Network (the "LHIN") that services the area in which the HSP is located. The SAA sets out the terms under which the LHIN will provide funding to the HSP and the performance obligations of the HSP in return for that funding. On July 13, 2010, following various communications between the Receiver and the Central LHIN regarding the applicability of certain wording in the SAA taking into account Paragon's receivership, the Receiver executed a SAA effective as of July 1, 2010 with the Central LHIN. The SAA expires on March 31, 2013.
19. On July 1, 2010, pursuant to section 99 of the LTCHA, the MOHLTC issued a Long-Term Care Home Licence to Paragon for 252 beds. The effective period of the licence is from July 1, 2010 to June 30, 2025.

#### Accreditation

20. Casa Verde Nursing Home received long-term care home accreditation from Accreditation Canada in October 2007. Accreditation Canada is an independent agency recognized by the MOHLTC that assesses the quality of services provided in nursing homes. The next accreditation survey of Casa Verde Nursing Home is to be completed by August 31, 2011. On April 8, 2009, Casa Verde Retirement Home received accreditation from the Ontario Retirement Communities Association and was admitted to its membership. The next accreditation survey of Casa Verde Retirement Home is not required before 2012.

#### Legal Action

21. On December 6, 2010, the Receiver was forwarded a Statement of Claim in which it and

Diversicare were named as defendants in an action brought by a former Casa Verde resident regarding an altercation between two residents that took place at Casa Verde. The Receiver forwarded the statement of claim to its insurer which has advised the Receiver that it has engaged legal counsel to defend the action.

#### *Human Rights Complaint*

22. On August 5, 2010, the Receiver was advised that on June 10, 2010 a former Casa Verde employee had filed an Application under the Human Rights Code, R.S.O. 1990, c. H 10, as amended, (the "**HR Application**") naming Casa Verde Retirement Residence and Long-Term Care and the Service Employees International Union, Local 1 as respondents to the HR Application. The grounds of discrimination alleged in the HR Application are disability and age. The Receiver has engaged counsel to defend the HR Application.

#### *Operating Results*

23. Attached hereto as **Appendix "D"** is an operating statement summary for Casa Verde Nursing Home for the period January 24, 2006 to November 30, 2010 (the "**Results Period**"). Casa Verde Nursing Home has generated positive net income (before consideration of interest, depreciation and capital expenditures) of approximately \$4.9 million over the Results Period.
24. Over the Results Period, the Receiver has incurred approximately \$260,000 in restructuring costs which relate to appraisal fees and severance and termination costs for terminated employees.
25. In addition to the operating expenses referred to on the Operating Statement Summary, as set out earlier in this report, the Receiver has expended approximately \$1,188,000 in capital expenditures for Casa Verde. The significant expenditures relate to remediation of Casa Verde's roof, replacement of certain HVAC components, refurbishment and improvement of certain wings of the building to bring these areas back into use in order to allow for full occupancy at Casa Verde, and the purchase of new furniture and fixtures.

26. Attached hereto as **Appendix "E"** is an operating statement summary for Casa Verde Retirement Home for the Results Period. Casa Verde Retirement Home has experienced a net operating loss of approximately \$1.66 million (before consideration of interest, depreciation and capital expenditures) over the Results Period as a result of occupancy levels in the 50% to 60% range since the Appointment Date. The Receiver is continuing to work with Diversicare to develop strategies to increase occupancy or otherwise employ the unused space at Casa Verde Retirement Home for other revenue generating projects.

#### West Park

##### *Occupancy*

27. Since the Appointment Date to 2010, occupancy at West Park had remained relatively constant at an average occupancy rate in excess of 97%. However, due to a cessation of admissions imposed by the MOHLTC over the January to March 2010 period (as discussed further below), occupancy for 2010 averaged approximately 94%.

##### *Ministry of Health and Long-Term Care*

#### Compliance Matters

28. As discussed in the Fifth Report, by letter dated November 13, 2009 from the MOHLTC, West Park was placed under enforcement inspection for a period of 90 days. The MOHLTC indicated that the reason for placing West Park under enforcement inspection was the lack of progress in addressing previously identified areas of non-compliance and unmet criteria.
29. By letter dated January 6, 2010, for the reasons as outlined in that letter, the MOHLTC advised that it was ceasing authorizing admissions at West Park for a thirty-day period. The MOHLTC further advised that it was continuing with enhanced enforcement monitoring of West Park. A copy of the January 6, 2010 letter from the MOHLTC is attached hereto as **Appendix "F"**.



30. The issues identified by the MOHLTC that lead to the enhanced enforcement and cessation of admissions were related to care and nursing. To address these issues, in addition to developing and submitting plans of corrective action which were accepted by the MOHLTC, Diversicare provided increased administrative and nurse consulting support as well as implemented a reorganization of the internal management of West Park, which included replacing the Administrator, the Director of Care and the Assistant Director of Care positions.
31. By letter dated March 5, 2010, the MOHLTC advised that it was permitting admissions to resume at West Park at a rate of one admission per week for the first two weeks and then two admissions per week for the following two weeks. The MOHLTC further advised that West Park would continue to be subject to unannounced enforcement inspections. A copy of the March 5, 2010 letter is attached hereto as **Appendix "G"**.
32. By letter dated May 4, 2010, the MOHLTC advised that it was permitting West Park to resume regular admission practices. The MOHLTC further advised that West Park would continue to be subject to enforcement inspections for a period of 90 days effective March 5, 2010. A copy of the May 4, 2010 (incorrectly dated May 4, 2009) letter is attached hereto as **Appendix "H"**.
33. On July 21 through 28, 2010, the MOHLTC conducted a follow up inspection of West Park and identified a number of areas of non-compliance. On October 12, 2010, the MOHLTC issued an Order(s) of the Inspector pursuant to section 153 and/or 154 of the LTCHA. A copy of the Inspection Report and Order(s) of the Inspector is attached hereto as **Appendix "I"**. Diversicare has advised that all of the Orders have been complied with and all required work referred to in the Orders has been completed. West Park is now only subject to regular MOHLTC inspection reviews.

#### Service Accountability Agreement and Licensing

34. On July 13, 2010, following various communications between the Receiver and the LHIN regarding the applicability of certain wording in the SAA taking into account 1508669's

receivership, the Receiver executed a SAA effective as of July 1, 2010 with the Hamilton Niagara Haldimand Brant LHIN. The SAA expires on March 31, 2013.

35. On July 1, 2010, the MOHLTC issued a Long-Term Care Home Licence to 1508669 for 101 beds. The effective period of the licence is from July 1, 2010 to June 30, 2025.

### *Operating Results*

36. Attached hereto as **Appendix "J"** is an operating statement summary for West Park for the Results Period. Over the Results Period, West Park has generated positive net operating income of approximately \$890,000 (before consideration of interest, depreciation and capital expenditures). Until 2010, West Park had generated relatively constant positive results. However, due to the compliance matters in late 2009 and throughout most of 2010 including the cessation of admissions for a two month period in early 2010, and the increased costs incurred to address those compliance matters, West Park experienced a net loss of approximately \$240,000 in the eleven month period ending November 30, 2010. As the compliance matters have been addressed and occupancy at West Park has returned to near capacity, the Receiver anticipates that results for 2011 should return to those levels experienced in the 2006 to 2009 period.
37. In addition to the operating expenses referred to on the Operating Statement Summary, over the Results Period, the Receiver has expended approximately \$410,000 in capital expenditures for West Park. The significant expenditures relate to remediation of the roof, replacement of substantially all of the windows of the building, elevator repairs and replacement of flooring in certain sections of West Park.

### **MARKETING AND SALES PROCESS**

38. Following the issuance of the Sale Process Order, the Receiver conducted a marketing and sales process (the "**First Sale Process**"), the details of which were set out in the Fourth Report. The First Sale Process failed to result in acceptable offers for the Homes.

39. On May 30, 2008, the Receiver, with the concurrence of Peoples, engaged John A. Jensen Realty Inc. ("Jensen") to list the Homes for sale under separate six month listing agreements. Jensen's expertise is the marketing and sale of nursing and retirement home facilities. With the agreement of Peoples, the Receiver has extended its listing agreements with Jensen with respect to the Homes to April 29, 2011. Jensen has advertised the Homes on its website, sent marketing information on the Homes to its proprietary database of contacts of parties interested in senior's housing opportunities and has also advertised the Homes on Loop Net, which purports to be the largest and most heavily trafficked commercial online real estate listing service.
40. For purposes of this Sixth Report, the Receiver has not included the names of potential purchasers, or offered purchase prices for the Homes, in order to not compromise the current or future sales efforts by the Receiver.

#### Casa Verde

41. On February 26, 2009, the Receiver entered into a letter of intent for the sale of Casa Verde. The Receiver provided the potential purchaser with a draft agreement of purchase and sale and various materials for it to conduct its due diligence and commenced to negotiate an agreement of purchase and sale. However, on April 3, 2009, the potential purchaser terminated its letter of intent in accordance with its terms.
42. On July 3, 2009, the Receiver entered into a letter of intent with a second party ("**Second Party**") for the sale of Casa Verde. The Receiver provided the Second Party with various materials for it to conduct its due diligence and with a draft agreement of purchase and sale. In late November 2009, and following extensive negotiations and discussions with the Second Party, the Second Party informed the Receiver that it would not at that time be proceeding any further with the transaction. The Receiver terminated the Second Party's letter of intent in accordance with its terms.
43. On January 20, 2010, the Receiver received an expression of interest for Casa Verde from GEM.

44. In order to consider the GEM offer, the Receiver commissioned an independent appraisal of Casa Verde by Carmichael Wilson Property Consultants Ltd. ("CWPC"). On April 23, 2010, CWPC provided its market value appraisal to the Receiver which had an effective date of March 12, 2010. The cover letter to the CWPC appraisal (the "CWPC Letter"), which summarizes the appraisal, forms **Appendix "K"** of this report. A copy of the CWPC Letter will be made available to the Court subject to a request for a Sealing Order pending the closing of the GEM transaction.
45. Based on the CWPC appraisal, the Receiver wished to proceed to pursue a sale of Casa Verde to GEM, and sought Peoples' approval to the proposed transaction. In mid-July 2010, the Receiver received Peoples' consent for the Receiver to complete a sale based on GEM's letter of intent. Jensen advised GEM that the Receiver was prepared to move forward and work toward completion of an agreement of purchase and sale. Throughout July and August 2010, the Receiver negotiated the terms of an agreement of purchase and sale with GEM that would be acceptable to the Receiver and Peoples. On October 20, 2010, with Peoples' approval, the Receiver and GEM executed the GEM APS. Due to various delays in completing the GEM APS, on October 28, 2010, the Receiver and GEM entered into Amending Agreement No. 1 which extended to January 24, 2011 the period during which GEM was permitted to conduct its due diligence and seek financing. Copies of the GEM APS and Amending Agreement No. 1 are attached hereto as **Appendix "L"**, redacted to maintain confidentiality with respect to the purchase price, pending the closing of the GEM transaction. An unredacted copy of the GEM APS will be made available to the Court, subject to a request for a Sealing Order.
46. Paragraph 4.3(a) of the GEM APS provides for the following:
- "On or within 30 days following satisfaction or waiver by the Purchaser of the Due Diligence Condition and the Financing Condition, an order will have been made by the Court approving this Agreement and the Transaction and vesting in the Purchaser all the right, title and interest of the Debtor in the Assets free and clear of all liens, security interests and other encumbrances,

save and except for the Permitted Encumbrances, such order to be substantially in the form of the order attached hereto as Exhibit A.”

GEM waived the Due Diligence Condition and the Financing Condition on January 24, 2011. As a result, the Receiver is seeking this Court’s approval of the GEM APS through the granting of an approval and vesting order. The approval and vesting order being sought provides that title will only vest with the Purchaser upon the Receiver delivering to the Purchaser a certificate (the “**Receiver’s Certificate**”) that certifies the following (defined terms are as defined in the Receiver’s Certificate):

- i) The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
- ii) The conditions to Closing as set out in section 4 of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and
- iii) The Transaction has been completed to the satisfaction of the Receiver.

- 47. Pursuant to the GEM APS, GEM has paid deposits totalling \$450,000 which funds are being held in trust by Gowlings pending completing of the transaction.
- 48. Should this Honourable Court approve the GEM APS, the Receiver will work with GEM to comply with the MOHLTC’s Nursing Home/Bed Licensing Review Process (“**Nursing Home Licensing Process**”), a copy of which is attached hereto as **Appendix “M”**. The MOHLTC has recently advised the Receiver that the Nursing Home Licensing Process could take four to six months, or even longer, to complete before the license transfer is approved.
- 49. Paragraph 4.3(c) of the GEM APS provides for the following:

“On or before March 31, 2011, the MOH shall have approved the purchase by the Purchaser contemplated under this Agreement and the MOH shall have approved the Purchaser for transfer of the Licence(s) or for issue of licences similar to the Licence(s).”

In view of the information recently provided by the MOHLTC regarding the anticipated timing of completion of the Nursing Home Licensing Process, and on the assumption that this Honourable Court approves the GEM APS and directs the Receiver to complete the sale to GEM, the Receiver will request that GEM enter into an amending agreement to extend the date by which the MOHLTC will have approved the purchase by GEM and the issuance of a new licence to GEM, from March 31, 2011 to October 31, 2011 or such other date mutually acceptable to the Receiver and GEM.

50. To the extent that this Honourable Court does not approve the Receiver completing the GEM APS, or if the GEM APS is approved by the Court but is not completed for other reasons, public disclosure of the contents of the GEM APS, including the purchase price, could materially negatively impact the Receiver's re-marketing of Casa Verde. For that reason, as stated above, the Receiver is seeking an Order of this Honourable Court to seal Appendices “K” and “L” until the Receiver's Certificate has been filed with this Honourable Court.

#### West Park

51. On February 26, 2009, the Receiver entered into a letter of intent with a party for the sale of West Park (the “WP Party”). The Receiver provided the WP Party with a draft agreement of purchase and sale and various documents requested by the WP Party in order that the WP Party could conduct its due diligence on West Park. The letter of intent provided that the parties would enter into a definitive agreement of purchase and sale (“West Park APS”) by March 24, 2009 (the “APS Deadline”). By the APS Deadline, the parties had not entered into the West Park APS, however, the Receiver and the WP Party agreed that they would continue to negotiate and that the WP Party would continue

to conduct its due diligence on the property notwithstanding the passing of the APS Deadline. Despite this extension, and following extensive negotiations and discussions, the parties could not agree on the terms of a West Park APS and in mid-August 2009, the parties mutually agreed to terminate the transaction.

52. In September 2009, Peoples sought the Receiver's consent to commence a foreclosure action on its second mortgage on West Park (the "**Foreclosure Action**"). After receiving advice from Lang Michener, the Receiver provided its consent to the Foreclosure Action on September 5, 2009.
53. Peoples subsequently issued a statement of claim in connection with the Foreclosure Action which it served on the Receiver and 1508669. Peoples then sought to obtain default judgement in regards to the Foreclosure Action. On December 3, 2009, Peoples assigned the second mortgage to West Park Holdings Ltd. ("**WP Holdings**") which entity continued the Foreclosure Action. The Foreclosure Action was completed on December 22, 2009 which had the effect of extinguishing the second mortgage on West Park (and Casa Verde, as both properties secured the same debt) and made WP Holdings the registered owner of West Park. Gowlings has advised that the Peoples first mortgage against 1508669 is unaffected by the Foreclosure Action.
54. Following WP Holdings' foreclosure on the second mortgage, the Receiver, at the request of Peoples, investigated the possibility of a redevelopment of West Park into a Class "A" long-term care home. In that regard, the Receiver commissioned OCA Architects to prepare a report on the feasibility and costs to convert West Park into a Class "A" long-term care home.
55. The Receiver also commissioned an independent appraisal of Casa Verde by CWPC. On April 23, 2010, CWPC provided its market value appraisal to the Receiver which had an effective date of March 12, 2010.
56. On September 3, 2010, the Receiver received a letter of intent for the purchase of West Park from an interested party ("**Party 'A'**").

- 16 -

57. After reviewing the terms of the Party "A" letter of intent with Peoples, on November 26, 2010, the Receiver made a counter-offer to Party "A". On December 15, 2010, Party "A" provided a revised letter of intent to which the Receiver responded with a counter-proposal on December 17, 2010 with a deadline for response of December 21, 2010.
58. Also on December 17, 2010, the Receiver received a letter of intent from a second party ("Party "B") for the purchase West Park. Since earlier that day the Receiver had provided a counter-proposal to Party "A", it waited until the expiration of the counter-proposal it provided to Party "A" before it would deal with the letter of intent from Party "B".
59. On December 20, 2010, Party "A" advised that it would not accept the Receiver's counter-proposal to its letter of intent. As a result, on December 23, 2010, the Receiver provided Party "B" with a counter-proposal to its letter of intent. The deadline for acceptance of the Receiver's counter-proposal was January 14, 2011.
60. On January 11, 2011, the Receiver received a letter of intent from a third party ("Party "C") for the purchase of West Park.
61. On January 12, 2011, the Receiver received a counter-proposal from Party "B" to the Receiver's counter-proposal of December 23, 2010.
62. The letters of intent/proposals received from Party "A", Party "B" and Party "C" were relatively close in offering price. After discussing its options with Peoples, on January 13, 2011, the Receiver through Jensen advised all three parties that they would be provided with one last chance to present their best, final offer. The Receiver also provided each party with a draft form of agreement of purchase and sale acceptable to the Receiver in order that each party could understand the terms and conditions required by the Receiver, and the Receiver could assess, in addition to the offered purchase price, any changes to that agreement that each party would be seeking. The deadline for the receipt of final offers was January 21, 2011.



63. On January 21, 2011, the Receiver received two final offers. On January 24, 2011, the Receiver received a third final offer. Based on its review of those offers and discussions of those offers with Peoples, the Receiver has accepted one of those offers. The Receiver and the successful offeror are in the process of finalizing an agreement of purchase and sale. At the appropriate time, the Receiver will make an application to this Honourable Court to seek this Honourable Court's approval of the proposed transaction for the sale of West Park.

#### **INTERIM STATEMENTS OF RECEIPTS AND DISBURSEMENTS**

64. Attached hereto as **Appendices "N", "O" and "P"** are the Receiver's Interim Statements of Receipts and Disbursements for the period January 24, 2006 to February 11, 2011 (the "**R&D**") for each of Paragon, Paragon Ontario and 1508669, respectively. The R&Ds reflect transactions through the Receiver's accounts and do not reflect the receipts and disbursements of the operating accounts managed by Diversicare for the Receiver, which are maintained on an accrual basis and are reflected in the operating statement summaries referred to in paragraphs 23 and 36 of this Sixth Report.
65. On the 22<sup>nd</sup> day of each month, MOHLTC funding is deposited into the Receiver's trust account, the amount of which is based on the census at the Homes and is fairly consistent from month to month. Each month, Diversicare provides the Receiver with a cash flow forecast for the Homes and a funding request to meet the cash flow requirements of each of the Homes. The Receiver provides the requisite funding to Diversicare and holds the balance in its trust account.
66. Due to the compliance issues at West Park in 2010 which resulted in a drop in occupancy and increased costs to deal with those compliance issues, in late 2010, it became clear that West Park's cash receipts were insufficient to meet its obligations. As a result, in November 2010, the Receiver borrowed \$375,000 from Peoples and provided to Peoples a Receiver's certificate. The borrowed amount will be used to fund anticipated shortfalls from receipts at the end of 2010 and in the first quarter of 2011. At this time, the

Receiver is unable to anticipate when it will be in a position repay the funding provided by Peoples.

67. As set out in the R&D's, the current cash balances in the Receiver's trust accounts as at February 11, 2011 in respect of each of the Companies is as follows:

Company	Cash Balance
Paragon	\$ 2,802,950
Paragon Ontario	3,801
1508669	51,485
Total	\$ 2,858,236

As discussed below, the Receiver is proposing to make a distribution to Peoples of a portion of the cash being held in the Receiver's Paragon trust account.

#### **PROPOSED DISTRIBUTION TO PEOPLES**

68. The Receiver has approximately \$2.8 million in its Paragon trust account.
69. With respect to the property, assets and undertaking of Paragon and the business of Casa Verde, Peoples holds the security described in Appendix "O" attached to the Fifth Report, which security includes a charge/mortgage of land made in favour of First National Financial Corporation by Paragon dated May 30, 2004 and registered as Instrument No. TB953231 as subsequently amended and assigned to Peoples and registered June 15, 2000 as Instrument No. TR061724 (the "**Casa Verde First Mortgage**"). The Receiver reported in paragraph 62 of the First Report that it had received an independent legal opinion from Lang Michener that Peoples' security over Paragon's assets was legal, valid and binding.

70. A copy of Peoples' Statement for Discharge Purposes effective February 14, 2011 with respect to the Casa Verde First Mortgage is attached hereto as **Appendix "Q"**. As of February 14, 2011, the outstanding balance (principal and interest) under the Casa Verde First Mortgage is \$17,020,316.87. Peoples had previously informed the Receiver that it would like to receive a payment against the outstanding balance on the Casa Verde First Mortgage should there be sufficient excess cash flow that is not required to operate Casa Verde.
71. The Receiver has determined that \$2,000,000 would be an appropriate amount to distribute to Peoples as payment against arrears interest on the Casa Verde First Mortgage and is seeking this Honourable Court's approval to make that payment. After consideration of the amount of the proposed distribution, the Receiver should have sufficient cash to (i) continue to fund Casa Verde's operations; (ii) address any capital costs or other costs that may be required in respect of the sale of Casa Verde or as required by the MOHLTC; and (iii) address any "clawback" claims that may be made by the MOHLTC in respect of MOHLTC funding provided to the Receiver in respect of the period following the Appointment Date.

#### **STATEMENTS OF ACCOUNT OF THE RECEIVER AND ITS COUNSEL**

72. The Receiver's fees for services rendered for the period October 1, 2009 to October 31, 2010 are particularized in the Affidavit of Hartley Bricks sworn February 14, 2011 and the invoices attached as exhibits thereto. The total amount of the invoices for this period is \$169,885.53 in respect of Paragon and \$115,828.78 in respect of 1508669.
73. The fees and disbursements of Gowlings, counsel for Peoples Trust, in respect of work performed for the Receiver, for the period December 31, 2009 to December 31, 2010 are particularized in the Affidavit of Harry Vanderlugt sworn February 14, 2011 and the invoices are attached as exhibits thereto. The total amount of the invoices for this period is \$42,052.07 in respect of Paragon and \$19,003.57 in respect of 1508669, inclusive of GST/HST.

74. Lang Michener has not incurred any fees for Paragon or 1508669 since those reported in the Fifth Report.
75. The Receiver has reviewed the invoices of Gowlings and finds the work performed and charges to be appropriate and reasonable.
76. The Receiver has sought and received the approval of Peoples prior to taking interim draws against the fees of the Receiver and Gowlings.
77. The Receiver is seeking this Honourable Court's approval of its activities to February 14, 2011 and its fees as set out above.

#### **RECEIVER'S REQUEST TO THE COURT**

78. The Receiver is respectfully seeking an order approving the following:
  - i) the actions and activities of the Receiver from December 15, 2009 to February 14, 2011;
  - ii) the Receiver entering into and completing the GEM APS and the granting of an approval and vesting order;
  - iii) sealing Appendices "K" and "L" to this Sixth Report until such time as the GEM APS is completed and the Receiver's Certificate is issued by the Receiver and filed with this Honourable Court;
  - iv) a distribution to Peoples in the amount of \$2,000,000 to be applied against interest outstanding on the Casa Verde First Mortgage; and
  - v) the fees and disbursements of the Receiver for the period from October 1, 2009 to October 31, 2010, and the fees and disbursements of Gowlings for the period from December 31, 2009 to December 31, 2010.

All of which is respectfully submitted to this Honourable Court.

DATED this 15th day of February, 2011.

**DELOITTE & TOUCHE INC.**

**in its capacity as Interim Receiver and Receiver and Manager of  
the assets, undertakings and properties of  
Paragon Health Care Inc., Paragon Health Care (Ontario) Inc.  
and 1508669 Ontario Limited and not in its personal capacity**

*Deloitte + Touche Inc.*

Daniel R. Weisz, CA•CIRP, CIRP  
Senior Vice President

Hartley Bricks, MBA, CA•CIRP, CIRP  
Vice President

# TAB C

Court File No. 06-CL-6233

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE	)	TUESDAY, THE 22 <sup>ND</sup> DAY
	)	
JUSTICE MESBUR	)	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

BETWEEN:

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.



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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

# TAB D

Court File No. 06-CL-6233

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE

JUSTICE MESBUR

}

TUESDAY, THE 22<sup>ND</sup> DAY

OF FEBRUARY, 2011

**BETWEEN:**

**PEOPLES TRUST COMPANY**

Applicant

- and -

**PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED**

Respondents

**APPROVAL AND VESTING ORDER**

**THIS MOTION**, made by Deloitte & Touche Inc., in its capacity as the Court-appointed interim receiver and receiver and manager (the "**Receiver**") of the current and future assets, undertakings and properties of Paragon Health Care Inc., Paragon Health Care (Ontario) Inc. and 1508669 Ontario Limited (individually or collectively, the "**Debtor**") for an order approving the sale transaction (the "**Transaction**") contemplated by an agreement of purchase and sale (the "**APS**") between the Receiver and GEM Health Care Group Limited (the "**Purchaser**") dated as of October 20, 2010 and appended to the Report of the Receiver dated February 15, 2011 (the "**Sixth Report**"), and vesting in the Purchaser the Debtor's right, title and interest in and to the assets described in the APS (the "**Purchased Assets**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Sixth Report and on hearing the submissions of counsel for the Receiver, no one appearing for any other person on the service list, although

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properly served as appears from the affidavit of Alma Sullivan sworn February 15, 2011, filed:

1. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and that the APS is commercially reasonable and in the best interests of the Debtor and its stakeholders. The execution of the APS by the Receiver is hereby authorized and approved, and the Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. THIS COURT ORDERS that Appendices "K" and "L" to the Sixth Report, being a certain appraisal letter in relation to the Purchased Assets and an unredacted copy of the APS, shall be treated as confidential and shall be sealed and segregated from the public record, pending the closing of the Transaction contemplated by the APS.

*When the Receiver delivers the Receiver's Certificate, the Appendices will be unsealed.*

3. THIS COURT ORDERS AND DECLARES that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as **Schedule A** hereto (the "**Receiver's Certificate**"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the APS shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Cumming dated January 23, 2006; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on **Schedule C** hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on **Schedule D**) and, for greater certainty, this Court

orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

4. THIS COURT ORDERS that upon the registration in the Land Registry Office for the Registry Division of Toronto of a Transfer/Deed of Land in the form prescribed by the *Land Registration Reform Act* (Ontario) duly executed by the Receiver, the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in **Schedule B** hereto (the "**Real Property**") in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in **Schedule C** hereto.

5. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

6. THIS COURT ORDERS AND DIRECTS the Receiver to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof.

7. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Debtor's records pertaining to the Debtor's past and current employees, including personal information of the Assumed Employees, as defined in the APS. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.

8. THIS COURT ORDERS that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at under value or other challengeable or voidable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

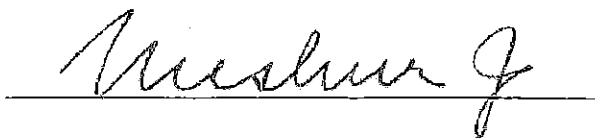
9. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

10. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this

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

FEB 22 2011

PER / PAR:



## SCHEDULE A

## FORM OF RECEIVER'S CERTIFICATE

Court File No. 06-CL-6233

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

BETWEEN:

PEOPLES TRUST COMPANY

Applicant

PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED

Respondents

## RECEIVER'S CERTIFICATE

## RECITALS

A. Pursuant to an Order of the Honourable Justice Cumming of the Ontario Superior Court of Justice (the "**Court**") dated January 23, 2006, Deloitte & Touche Inc. (formerly known as Mintz & Partners Ltd.) was appointed as the interim receiver and receiver and manager (the "**Receiver**") of the current and future assets, undertakings and properties of Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. **[and 1508669 Ontario Limited]** ([individually or collectively,] the "**Debtor**").

B. Pursuant to an Order of the Court dated February 22, 2011, the Court approved the agreement of purchase and sale made as of October 20, 2010 (the "**APS**") between the Receiver and GEM Health Care Group Limited (the "**Purchaser**") and provided for the vesting in the Purchaser of the Debtor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the



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conditions to Closing as set out in section 4 of the APS have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the APS.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the APS;
2. The conditions to Closing as set out in section 4 of the APS have been satisfied or waived by the Receiver and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver.

This Certificate was delivered by the Receiver to the Purchaser at [●<Insert time.>] on [●<Insert date.>].

**DELOITTE & TOUCHE INC.**, solely in its capacity as court appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. and not in its personal capacity

Per: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE B****SUBJECT REAL PROPERTY**

3595 Keele Street, North York, Ontario

Part of Lot 17, Concession 3, WYS, designated as Part 1 on Plan 64R-9597 together with an easement over Part of Lot 17, Concession 3, WYS, designated as Part 1 on Plan 64R-11024, as described in instrument number TB328847, City of Toronto, Property Identifier Number 10181-0039(LT)

**SCHEDULE C****CLAIMS TO BE DELETED AND EXPUNGED FROM TITLE TO REAL PROPERTY**

1. Paragon Health Care Inc. / Soins de Sante Paragon Inc. under transfer instrument number TB646693 and application for change of name of owner from 862465 instrument number AT385907.
2. Peoples Trust Company under
  - (i) charge instrument number TB953231 as assigned by transfer of charge instrument number TR61724 and amended by agreements instrument numbers TR53328 and TR61726;
  - (ii) charge instrument number TR16133 as assigned by transfer of charge instrument number TR62550 and postponed by instrument number TR53329;
  - (iii) charge instrument number TR62546;
  - (iv) general assignment of rents instrument number TB953232 as assigned by instrument number TR61725;
  - (v) general assignment of rents instrument number TR62547;
3. The Consumers Gas Company Ltd. under Notice – Lease of Chattels instrument number TR33203.
4. Ginette Harquail under
  - (i) charge instrument number TR10811 as assigned by transfers of charge instrument numbers TR58273 and AT394107, amended by instrument number TR58272 and postponed by instrument numbers TR53330 and TR62548;
  - (ii) charge instrument number TR58274 as assigned by transfers of charge instrument numbers TR58275 and AT394106 and postponed by instrument number TR62548;
  - (iii) charge instrument number TR67253 as assigned by transfers of charge instrument number AT394105.
5. John Alpaugh, Peter Boulton, Kenneth Maiden, Susan Maynard, Judith Moore, Robert Reid, Richard Webb, John Sinclair, Gail Weiler, Rhonda Klosler, Smith, Nixon & Co. LLP, under charge instrument number AT911777.

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6. Her Majesty the Queen as represented by the Minister of Finance, Ontario with respect to a claim under the Corporations Tax Act, 5 Park Home Avenue, 2<sup>nd</sup> Floor, North York, ON M2N 6W8, being file number 01-0009411.
7. Mintz & Partners Limited in its capacity as interim receiver and receiver and manager of Paragon Health Care Inc. and 1508669 Ontario Limited, under instrument number AT1048439.

**SCHEDULE D****PERMITTED ENCUMBRANCES, EASEMENTS AND RESTRICTIVE COVENANTS  
RELATED TO THE REAL PROPERTY**

(unaffected by the Vesting Order)

1. Restrictive covenants set out in Application to Annex Restrictive Covenants instrument number TB328846.
2. Notice by Her Majesty the Queen in right of the Department of Transport Canada of Pearson Airport Zoning Regulation instrument number TR57844.

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PEOPLES TRUST COMPANY

- and -

PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED

ONTARIO

SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

(PROCEEDING COMMENCED AT TORONTO)

APPROVAL AND VESTING ORDER

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors

Suite 1600, 1 First Canadian Place  
100 King Street West

Toronto, Ontario M5X 1G5

Clifton P. Prophet (LSUC No.: 34845K)

Frank Lamie (LSUC No. 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  
current and future assets, undertakings and  
properties of Paragon Health Care Inc., Paragon  
Health Care (Ontario) Inc. and 1508669 Ontario  
Limited

# TAB E

Paragon Health Care Inc. et al  
Operating Statement for the Period  
January 24, 2006 to August 31, 2011

Casa Verde Nursing Home

	January 24, 2006 to December 31, 2006	January 1, 2007 to December 31, 2007	January 1, 2008 to December 31, 2008	January 1, 2009 to December 31, 2009	January 1, 2010 to December 31, 2010	January 1, 2011 to August 31, 2011	January 24, 2006 to August 31, 2011
<b>Revenue</b>							
Ministry of Health revenue	\$ 6,397,977	\$ 8,748,368	\$ 10,297,697	\$ 10,815,814	\$ 10,001,491	\$ 6,913,915	\$ 53,175,262
Resident revenue	2,526,169	3,203,205	3,690,911	3,787,927	4,547,572	3,119,034	20,874,818
Ancillary revenue	21,588	53,960	21,551	33,773	24,553	9,358	164,783
<b>Total Revenue</b>	<b>\$ 8,945,734</b>	<b>\$ 12,005,533</b>	<b>\$ 14,010,159</b>	<b>\$ 14,637,514</b>	<b>\$ 14,573,616</b>	<b>\$ 10,042,307</b>	<b>\$ 74,214,863</b>
<b>Operating Expenses</b>							
Salaries, wages & benefits	\$ 6,072,772	\$ 8,166,003	\$ 9,827,118	\$ 10,084,895	\$ 10,295,953	\$ 7,313,688	\$ 51,760,429
Food and supplies	789,955	1,320,401	1,288,489	1,499,994	1,329,624	786,139	7,014,602
General & administration	703,807	744,570	656,726	723,892	746,146	546,968	4,122,109
Realty, business & capital taxes	411,184	460,120	463,057	463,104	455,718	295,259	2,548,442
Repairs & maintenance	148,909	195,931	189,929	225,952	231,078	148,716	1,140,515
Utilities	227,716	281,904	286,882	307,956	270,324	217,003	1,591,785
<b>Total Expenses</b>	<b>\$ 8,354,343</b>	<b>\$ 11,168,929</b>	<b>\$ 12,712,201</b>	<b>\$ 13,305,793</b>	<b>\$ 13,328,843</b>	<b>\$ 9,307,773</b>	<b>\$ 68,177,882</b>
<b>Net Operating Income</b>	<b>\$ 591,391</b>	<b>\$ 836,604</b>	<b>\$ 1,297,958</b>	<b>\$ 1,331,721</b>	<b>\$ 1,244,773</b>	<b>\$ 734,534</b>	<b>\$ 6,036,981</b>
Restructuring costs/charges	-	166,743	62,943	-	29,664	-	259,350
<b>Net Income</b>	<b>\$ 591,391</b>	<b>\$ 669,861</b>	<b>\$ 1,235,015</b>	<b>\$ 1,331,721</b>	<b>\$ 1,215,109</b>	<b>\$ 734,534</b>	<b>\$ 5,777,631</b>



# TAB F

Paragon Health Care Inc. et al  
Operating Statement for the Period  
January 24, 2006 to August 31, 2011

Casa Verde Retirement Home

	January 24, 2006 to December 31, 2006	January 1, 2007 to December 31, 2007	January 1, 2008 to December 31, 2008	January 1, 2009 to December 31, 2009	January 1, 2010 to December 31, 2010	January 1, 2011 to August 31, 2011	January 24, 2006 to August 31, 2011
<b>Revenue</b>							
Residential suites revenue	\$ 1,201,295	\$ 1,188,468	\$ 1,251,395	\$ 1,272,426	\$ 1,114,859	\$ 762,339	\$ 6,790,782
Other services revenue	8,124	12,262	10,233	8,663	10,258	6,820	56,360
Ancillary revenue	8,346	7,697	5,278	4,020	3,156	4,103	32,600
<b>Total Revenue</b>	<b>\$ 1,217,765</b>	<b>\$ 1,208,427</b>	<b>\$ 1,266,906</b>	<b>\$ 1,285,109</b>	<b>\$ 1,128,273</b>	<b>\$ 773,262</b>	<b>\$ 6,879,742</b>
<b>Operating Expenses</b>							
Salaries, wages & benefits	\$ 916,548	\$ 995,021	\$ 1,121,867	\$ 1,091,051	\$ 998,985	\$ 665,105	\$ 5,788,577
Food and supplies	149,280	153,424	378,726	216,898	179,619	141,540	1,219,487
General & administration	210,075	150,653	11,151	166,014	156,707	127,415	822,015
Realty, business & capital taxes	41,237	41,660	42,713	37,532	35,917	22,223	221,282
Repairs & maintenance	48,884	39,530	37,808	29,841	34,349	36,972	227,384
Utilities	75,768	93,970	95,629	102,651	90,109	72,334	530,461
<b>Total Expenses</b>	<b>\$ 1,441,792</b>	<b>\$ 1,474,258</b>	<b>\$ 1,687,894</b>	<b>\$ 1,643,987</b>	<b>\$ 1,495,686</b>	<b>\$ 1,065,589</b>	<b>\$ 8,809,206</b>
<b>Net Operating Income</b>	<b>\$ (224,027)</b>	<b>\$ (265,831)</b>	<b>\$ (420,988)</b>	<b>\$ (358,878)</b>	<b>\$ (367,413)</b>	<b>\$ (292,327)</b>	<b>\$ (1,929,464)</b>
Restructuring costs/charges	-	3,082	-	-	39,125	-	42,207
<b>Net Income</b>	<b>\$ (224,027)</b>	<b>\$ (268,913)</b>	<b>\$ (420,988)</b>	<b>\$ (358,878)</b>	<b>\$ (406,538)</b>	<b>\$ (292,327)</b>	<b>\$ (1,971,671)</b>

# TAB G

Paragon Health Care Inc. et al  
Operating Statement for the Period  
January 24, 2006 to August 31, 2011

West Park Health Centre

	January 24, 2006 to December 31, 2006	January 1, 2007 to December 31, 2007	January 1, 2008 to December 31, 2008	January 1, 2009 to December 31, 2009	January 1, 2010 to December 31, 2010	January 1, 2011 to August 31, 2011	January 24, 2006 to August 31, 2011
<b>Revenue</b>							
Ministry of Health revenue	\$ 3,152,020	\$ 3,514,983	\$ 3,823,576	\$ 3,922,607	\$ 3,659,794	\$ 2,586,398	\$ 20,659,378
Resident revenue	1,370,056	1,508,587	1,503,911	1,563,928	1,724,637	1,123,263	8,794,382
Ancillary revenue	9,849	16,627	16,251	10,178	9,717	6,186	68,808
<b>Total Revenue</b>	<b>\$ 4,531,925</b>	<b>\$ 5,040,197</b>	<b>\$ 5,343,738</b>	<b>\$ 5,496,713</b>	<b>\$ 5,394,148</b>	<b>\$ 3,715,847</b>	<b>\$ 29,522,568</b>
<b>Operating Expenses</b>							
Salaries, wages & benefits	\$ 3,040,133	\$ 3,434,675	\$ 3,717,664	\$ 3,833,715	\$ 4,189,643	\$ 2,700,661	\$ 20,926,491
Food and supplies	454,817	496,845	511,718	536,419	502,995	312,605	2,815,399
General & administration	312,710	360,722	357,744	397,227	389,505	266,092	2,084,000
Realty, business & capital taxes	179,340	184,352	178,464	168,406	157,083	98,141	965,786
Repairs & maintenance	120,937	123,312	109,399	145,195	140,824	116,601	756,268
Utilities	143,702	152,499	153,391	155,785	162,053	126,263	893,693
<b>Total Expenses</b>	<b>\$ 4,251,639</b>	<b>\$ 4,752,405</b>	<b>\$ 5,028,380</b>	<b>\$ 5,236,747</b>	<b>\$ 5,552,103</b>	<b>\$ 3,620,363</b>	<b>\$ 28,441,637</b>
<b>Net Operating Income</b>	<b>\$ 280,286</b>	<b>\$ 287,792</b>	<b>\$ 315,358</b>	<b>\$ 259,966</b>	<b>\$ (157,955)</b>	<b>\$ 95,484</b>	<b>\$ 1,080,931</b>
Restructuring costs/charges	-	13,708	-	-	93,848	-	107,556
<b>Net Income</b>	<b>\$ 280,286</b>	<b>\$ 274,084</b>	<b>\$ 315,358</b>	<b>\$ 259,966</b>	<b>\$ (251,803)</b>	<b>\$ 95,484</b>	<b>\$ 973,375</b>

# TAB H

**AGREEMENT OF PURCHASE AND SALE**

**BETWEEN**

**DELOITTE & TOUCHE INC., solely in its capacity as  
court-appointed interim receiver and  
receiver and manager of the current and future assets, undertakings and properties of  
1508669 Ontario Limited  
and not in its personal capacity,  
as Vendor**

**- and -**

**SAC 4 INC.,  
as Purchaser**

**April 1, 2011**

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d



## AGREEMENT OF PURCHASE AND SALE

**THIS AGREEMENT** is dated as of April 1, 2011

### BETWEEN:

**DELOITTE & TOUCHE INC.**, solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

(the "**Vendor**")

- and -

**SAC 4 Inc.**, a corporation existing under the laws of Ontario

(the "**Purchaser**")

### CONTEXT:

**A.** Pursuant to the Appointment Order (as defined herein), Deloitte & Touche Inc. was appointed interim receiver and receiver and manager (the "**Receiver**") of the current and future assets, properties and undertakings of the Debtor (as defined below) pursuant to Section 47 of the *Bankruptcy and Insolvency Act* (Canada) and Section 101 of the *Courts of Justice Act* (Ontario).

**B.** The Vendor wishes to sell and the Purchaser wishes to purchase the Assets (as defined below) upon and subject to the terms and conditions of this Agreement.

**FOR GOOD AND VALUABLE CONSIDERATION**, the parties agree as follows:

## ARTICLE 1 INTERPRETATION

### 1.1 Definitions

In this Agreement the following terms have the following meanings:

"**Acceptance Date**" means the date this Agreement is executed by each of the parties hereto.

"**Accrued Payroll**" means the portion of the payroll which has been earned by the Assumed Employees as at the Closing Date but which has not been paid.

"**Affiliate**" means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such Person, and includes any Person in like relation to an Affiliate. A Person shall be deemed to control a Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such Person, whether

through the ownership of voting securities, by contract or otherwise; and the term "controlled" shall have a similar meaning.

**"Agreement"** means this agreement, including all Schedules and Exhibits, as it may be supplemented, amended, restated or replaced from time to time by written agreement between the parties.

**"Applicable Law"** means, at any time, with respect to any Person, property, transaction or event, all applicable laws, statutes, regulations, treaties, judgments and decrees and (whether or not having the force of law) all applicable official directives, rules, consents, approvals, by-laws, permits, authorizations, guidelines, orders and policies of any governmental or regulatory body or Persons having authority over that Person, property, transaction or event.

**"Appointment Order"** means the order of the Court dated January 23, 2006 appointing Mintz & Partners Limited as Receiver of the Debtor effective 9:00 am on January 24, 2006 and the subsequent order of the Court dated July 2, 2008 changing the Receiver to Deloitte & Touche Inc., a copy of which is attached hereto as Schedule "1".

**"Approval and Vesting Order"** is defined in Section 4.3(a) hereof.

**"Arbitrator"** is defined in Section 2.8(g)(i) hereof.

**"Assets"** means the right, title and interest of the Debtor and or the Vendor, if any, in and to the Owned Real Property, Buildings and Fixtures, Equipment, Inventory, and the Business Names, Receivables, Intangibles, Assumed Contracts, Books and Records and Licences used in the Business but specifically excludes the Excluded Assets.

**"Assumed Contracts"** is defined in Section 2.2 hereof.

**"Assumed Employees"** means collectively, the Assumed Salaried Employees and the Unionized Employees.

**"Assumed Employee Liabilities"** means the unused and outstanding sick pay credit obligations of the Assumed Employees attributable to the period prior to the Closing Date.

**"Assumed Obligations"** means: (i) all obligations and liabilities of the Debtor and the Vendor under the Assumed Contracts that the Purchaser has agreed to assume as of the Closing Date by way of separate and specific written agreement with the Vendor or party or parties to whom the relevant obligations and liabilities are owed; and (ii) the Assumed Employee Liabilities.

**"Assumed Salaried Employees"** means Salaried Employees who accept offers of employment made by the Purchaser in accordance with the provisions of Section 2.11 hereof, but excluding the Unionized Employees.

**"Benefit Plans"** means any of the following (whether written, unwritten or terminated): (a) any employee welfare benefit plan, including but not limited to, any medical plan, life insurance plan, short term or long term disability plan and dental plan; and, (b) any employee pension plan, including, but not limited to any supplemental or excess pension plan, any deferred compensation plan, any registered pension plan or any other arrangement under which employees are provided with retirement income; in each case, provided, sponsored, administered or contributed to by the Debtor in relation to the Assumed Employees.

**"Books and Records"** means:

- (a) all plans and specifications in the Vendor's possession or under its control relating to the Buildings and Fixtures situate on or forming part of the Owned Real Property including, without limiting the generality of the foregoing, all such electrical, mechanical and structural drawings related thereto as are in the possession or under the control of the Vendor; and
- (b) all personnel records, inspection records and other records, books and accounting records, documents and databases relating to the operation of the Business as are in the possession or under the control of the Vendor.

**"Buildings and Fixtures"** means all plant, buildings, structures, erections, improvements, appurtenances and fixtures situate on the Owned Real Property on the Closing Date.

**"Business"** means the business carried on at the Owned Real Property on the Closing Date in any way related to the operation of a long-term care facility at the said location.

**"Business Day"** means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario or any other day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours.

**"Business Names"** means the name West Park Health Centre.

**"Closing"** means the successful completion of the Transaction.

**"Closing Date"** means the date which is thirty (30) days immediately following the later of written confirmation from the Vendor to the Purchaser that: (a) the Approval and Vesting Order has been granted, and (b) the MOH has approved the purchase by the Purchaser contemplated under this Agreement and the MOH has issued or approved the Purchaser for transfer of the Licence(s) or for issue of licences similar to the Licence(s) to the Purchaser; or such earlier date as agreed by the parties, but in no event will the Closing Date be later than January 30, 2012.

**"Collective Agreement"** means the collective agreement between the Debtor and the Canadian Union of Public Employees and its Local 1263 as more particularly described in Schedule "2" attached hereto.

**"Communication"** means any notice, demand, request, consent, approval or other communication which is required or permitted by this Agreement to be given or made by a party.

**"Confidential Information"** means any and all data and information, financial or otherwise, with respect to the Business disclosed by the Vendor, its representatives or agents, including without limitation Diversicare, to the Purchaser other than data or information which was in the public domain prior to the date of receipt by the Purchaser.

**"Contracts"** means the Collective Agreement, the Leases and the other agreements listed in Schedule "2" attached hereto.

**"Court"** means the Ontario Superior Court of Justice (Commercial List).

**"Debtor"** means 1508669 Ontario Limited.

**"Deposits"** is defined in Section 2.7(b) hereof.

**"Diversicare"** means Diversicare Canada Management Services Co., Inc., in its capacity as the manager of the Business.

**"Due Diligence Condition"** is defined in Section 4.1(a) hereof.

**"Due Diligence Period"** means the period commencing on the Acceptance Date to and including the date which is seventy five (75) days immediately thereafter.

**"Employee Liabilities"** means all wages, statutory deductions, remittances, assessments, bonuses, vacation pay, sick leave credits, severance pay, termination pay, amounts paid in lieu of notice, payments under the Collective Agreement for the Unionized Employees and any other remuneration, benefits and deductions for all the Employees, including without limitation pension plan contributions and any other amounts required to be paid in respect of pension plans in which the Employees participate, that become due and payable after the Closing Date.

**"Employee Liabilities Adjustment"** is defined in Section 2.8(a)(i) hereof.

**"Employee List"** is defined in Section 2.15 hereof.

**"Employees"** means collectively, the Salaried Employees and the Unionized Employees.

**"Equipment"** means the equipment and tools of the Debtor and/or the Vendor located at the Owned Real Property and used in the Business.

**"ETA"** means the *Excise Tax Act* (Canada).

**"Excluded Assets"** means the following property and assets of the Vendor pertaining to the Business and all documents, books, accounts, records and other information relating to that property and those assets:

- (a) all cash, bank balances, money in possession of banks and other depositories, term or time deposits and similar cash or cash equivalents of, owned or held by or for the account of the Business;
- (b) all policies and procedures, programs, manuals and documentation that are the proprietary to Diversicare, including any continuous quality improvement programs;
- (c) all the corporate, financial and other records of the Vendor not pertaining to the operation of the Business; and
- (d) the Vendor's rights to and interest in the property known as 4 Lantana Circle, St. Catharines and to the proceeds of that property.

**"Financing Condition"** is defined in Section 4.1(b) hereof.

**"First Deposit"** is defined in Section 2.7(a) hereof.

**"Governmental Authority"** means:

- (a) any federal, provincial, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of the foregoing exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory or taxing authority or power of any nature; or
- (b) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

**"HST"** means all harmonized sales taxes payable under the ETA.

**"Intangibles"** means the choses in action and other similar rights or claims directly related to the Business.

**"Inventory"** means the inventory of the Debtor and Vendor located at the Owned Real Property and used in the Business.

**"Leases"** means the leases and occupancy agreements for the residents of the Business as set out in the rent roll attached to Schedule "5" attached hereto.

**"Licence(s)"** means the licences listed in Schedule "3" attached hereto.

**"MOH"** means the Ontario Ministry of Health and Long-Term Care.

**"MOH Closing Adjustment"** is defined in Section 2.8(c) hereof.

**"Owned Real Property"** means the lands and premises more particularly described in Schedule "4" attached hereto.

**"Permitted Encumbrances"** means the encumbrances and other documents affecting title to the Owned Real Property, as described in Schedule "4" attached hereto, which shall be accepted and/or assumed on Closing by the Purchaser.

**"Person"** means an individual, body corporate, sole proprietorship, partnership or trust or unincorporated association, unincorporated syndicate, unincorporated organization, or another entity, and a natural person, acting in his or her individual capacity or in his or her capacity as executor, trustee, administrator or legal representative, and any Governmental Authority.

**"Purchase Price"** means the sum of [REDACTED] in lawful money of Canada.

**"Purchaser's Solicitors"** means the firm of Miller Thomson, LLP, Accelerator Building 295 Hagey Blvd., Suite 300, Waterloo, ON N2L 6R5 Attention: Dwayne Kuiper, Telephone No. (519) 593-3243, Facsimile No. (519) 743-2540.

**"Receivables"** means all accounts receivable, bills receivable, trade accounts, book debts and insurance claims directly or indirectly used in, arising from, or relating in any manner to the Business together with any unpaid interest accrued on such items (and expressly excluding any account between the Vendor and Diversicare).

**"Resident Trust Funds"** means all money held by the Vendor on behalf of the residents of the Business.

**"Salaried Employees"** means all persons who are employed in the Business, as at the Closing Date, including those on short term disability leave, maternity leave or other permitted leave, but excluding the Unionized Employees.

**"Second Deposit"** is defined in Section 2.7(b) hereof.

**"Transaction"** means the transaction of purchase and sale contemplated by this Agreement.

**"Unionized Employees"** means all persons who are employed in the Business as at the Closing Date, whose employment is governed by the Collective Agreement.

**"Vendor's Solicitors"** means the firm of Gowling Lafleur Henderson, LLP, Barristers & Solicitors, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5, Attention: Clifton P. Prophet, Telephone No. (416) 862-3509, Telecopier No. (416) 863-3509.

## **1.2 Entire Agreement**

This Agreement, together with the agreements and other documents to be delivered pursuant to this Agreement, constitute the entire agreement between the parties pertaining to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no representations, warranties or other agreements between the parties in connection with the subject matter of this Agreement except as specifically set out in this Agreement or the other agreements and documents delivered pursuant to this Agreement.

## **1.3 Time of Day**

Unless otherwise specified, references to time of day or date mean the local time or date in the City of Toronto, Province of Ontario.

## **1.4 Business Day**

Whenever any payment to be made or action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, the payment is to be made or action taken on the next Business Day following.

## **1.5 Governing Law and Attornment**

This Agreement is governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario. Each of the parties hereby irrevocably and unconditionally attorns to the exclusive jurisdiction of the courts of the Province of Ontario.

## **1.6 Certain Rules of Interpretation**

- (a) In this Agreement, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the word "including" in this Agreement is to be construed as meaning "including, without limitation".
- (b) The division of this Agreement into Articles and Sections, the insertion of headings and the provision of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- (c) Wherever in this Agreement reference is made to a calculation to be made in accordance with GAAP, the reference is to the GAAP from time to time approved by the Canadian Institute of Chartered Accountants, or its successor, applicable as at the date on which the calculation is made or required to be made in accordance with GAAP.
- (d) References in this Agreement to an Article, Section, Schedule or Exhibit are to be construed as references to an Article, Section, Schedule or Exhibit of or to this Agreement unless the context requires otherwise.

- (e) Unless otherwise specified in this Agreement, time periods within which or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day.
- (f) Unless otherwise specified, any reference in this Agreement to any statute includes all regulations made thereunder or in connection therewith from time to time, and is to be construed as a reference to such statute as amended, supplemented or replaced from time to time.

### 1.7 Schedules and Exhibits

The following is a list of Schedules and Exhibits:

Schedule	Subject Matter	Section Reference
1	Appointment Order	1.1
2	Contracts	2.2
3	Licenses	1.1
4	Owned Real Property	2.4
5	Leases Rent Roll	1.1

Exhibit	Subject Matter	Section Reference
Exhibit A	Form of Approval and Vesting Order	4.3
Exhibit B	Form of Bill of Sale and Assignment	5.2

## ARTICLE 2 SALE AND PURCHASE AND ASSIGNMENT

### 2.1 Sale and Purchase of Assets

Subject to the terms and conditions of this Agreement, the Vendor will sell to the Purchaser and the Purchaser will purchase the Assets on the Closing Date. The Purchaser acknowledges that it is not purchasing any other property or assets of the Debtor other than the Assets.

### 2.2 Assignment and Assumption of Contracts

The Purchaser shall have until expiration of the Due Diligence Period to advise the Vendor in writing of those Contracts it wishes to assume on Closing (the "**Assumed Contracts**"), failing which, the Purchaser shall be deemed to have agreed to assume all Contracts on Closing.



Provided that notwithstanding the foregoing, the Purchaser shall be obligated to assume the Leases and the Collective Agreement and Benefit Plans on Closing. Subject to the conditions and terms of this Agreement, the Vendor will assign to the Purchaser all of the Debtor's rights, benefits and interests in and to the Assumed Contracts, if any, and the Purchaser will assume the Assumed Obligations, save and except as otherwise specified herein. For greater certainty, the Purchaser shall not be responsible for performance of any Contracts not assumed by the Purchaser.

This Agreement and any document delivered under this Agreement will not constitute an assignment or an attempted assignment of any Contract contemplated to be assigned to the Purchaser under this Agreement which is not assignable without the consent of a third party if such consent has not been obtained and such assignment or attempted assignment would constitute a breach of such Contract or, in the alternative, if an order of the Court authorizing and approving the assignment of the Contracts to the Purchaser has not been obtained. At the option of the Vendor, any such assignment may be made in the name of and on behalf of the Debtor.

### **2.3 "As is, Where is"**

The Purchaser acknowledges that, subject to Sections 3.2 and 5.8 hereof, the Vendor is selling the Assets on an "as is, where is" basis as they exist on the Closing Date. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendor does not guarantee title to the Assets and that the Purchaser has conducted or will have conducted during the Due Diligence Period such inspections of the condition of and title to the Assets as it deems appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality, assignability or in respect of any other matter or thing whatsoever concerning the Assets or the right of the Vendor to sell them save and except as expressly represented or warranted in this Agreement. Without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation do not apply to this transaction of purchase and sale and have been waived by the Purchaser. The description of the Assets contained in the Schedules is for purposes of identification only. No representation, warranty or condition has or will be given by the Vendor concerning completeness or the accuracy of such descriptions.

### **2.4 Owned Real Property**

The Purchaser acknowledges that unless written notice of non satisfaction is provided pursuant to Sections 4.1(a) and 4.5 hereof, it has, at its own expense, examined title to the Owned Real Property and satisfied itself as to the state thereof, and satisfied itself as to:

- (a) outstanding work orders affecting the Owned Real Property; and
- (b) the use of the Owned Real Property being in accordance with applicable zoning requirements and satisfied itself that the Buildings and Fixtures may be insured to the satisfaction of the Purchaser.

The Purchaser further acknowledges that, notwithstanding any statutory provisions to the contrary, the Purchaser has no right to submit requisitions on title or in regard to any outstanding work orders, deficiency notices or orders to comply issued by any Governmental Authority and the Purchaser will accept the title to the Owned Real Property, except as otherwise provided in this Agreement.

The Vendor consents to Governmental Authorities releasing to the Purchaser details of all outstanding municipal work orders or deficiency notices affecting the Owned Real Property and it will execute any authorizations in connection therewith, provided that such consent shall not provide for any inspections to be conducted by any such Governmental Authority.

## 2.5 Assumed Obligations

In connection with its acquisition of the Assets, the Purchaser will assume the Assumed Obligations on Closing. On Closing, to the extent necessary, the Purchaser will enter into an assumption agreement in form and substance satisfactory to each of the Purchaser and the Vendor, acting reasonably. The Purchaser acknowledges that the Vendor will have no responsibility whatsoever for curing any defaults, paying any arrears, or performing any obligations under or with respect to the Assumed Contracts, save and except as otherwise specified herein.

## 2.6 Excluded Obligations

Other than the Assumed Obligations, the Purchaser will not assume and will not be liable for any other liabilities or obligations of the Debtor.

## 2.7 Payment of the Purchase Price

The Purchase Price shall be paid, accounted for and satisfied as follows:

- (a) by the Purchaser delivering to the Vendor's Solicitors, in trust, the sum of Fifty Thousand (\$50,000.00) Dollars within three (3) Business Days following the Acceptance Date (the "**First Deposit**"), which sum shall be held by the Vendor's Solicitors, in trust, as a deposit pending Closing or termination of this Agreement;
- (b) by the Purchaser delivering to the Vendor's Solicitors, in trust, the further sum of Fifty Thousand (\$50,000.00) Dollars within three (3) Business Days following waiver of the Due Diligence Condition (the "**Second Deposit**"), which sum shall be held by the Vendor's Solicitors, in trust, as a deposit pending Closing or termination of this Agreement (the First Deposit and the Second Deposit hereinafter collectively referred to as the "**Deposits**"); and
- (c) the balance of the Purchase Price, after crediting the Deposits and the Deposit Interest (as hereinafter defined) and subject to the adjustments to Purchase Price set forth in Section 2.8 hereof, by payment at Closing to the Vendor or as it may otherwise direct in writing by way of certified cheque, bank draft or wire transfer.

The Vendor and the Purchaser agree and hereby authorize and direct the Vendor's Solicitors to invest the Deposits in an interest-bearing term deposit or interest-bearing account of a Canadian chartered bank bearing current market rate of interest, which interest (the "**Deposit Interest**") shall be paid or credited to the Purchaser at the Time of Closing, unless the Purchaser forfeits the Deposits as provided below in which event the Deposit Interest will be paid to the Vendor.

Unless otherwise agreed, all amounts payable to the Vendor either by way of Deposits or at the Time of Closing will be paid to the Vendor by certified cheque or bank draft of a major Canadian bank listed in Schedule I to the Bank Act (Canada) or by wire transfer. The Purchaser acknowledges and agrees that the Deposits and Deposit Interest are non-refundable save and except as provided under Section 5.10 hereof.

## **2.8 Adjustments to Purchase Price**

The Purchase Price shall be subject to the adjustments set out below:

### **(a) Adjustment for Certain Employee Liabilities.**

- (i) All unpaid amounts accrued or owing as at Closing to the Assumed Employees and for which the Purchaser becomes liable at or after Closing for Accrued Payroll, vacation pay, pension contributions, bonuses and entitlements (and expressly excluding any severance pay and termination pay) in respect of their employment with the Business shall be credited against the Purchase Price unless such amounts have been paid by the Vendor such that there is no recourse against the Purchaser, (the "**Employee Liabilities Adjustment**").
- (ii) The Vendor shall prepare and provide to the Purchaser at least four (4) Business Days before the Closing Date, a statement of the calculation of the Employee Liabilities Adjustment as of the Closing Date, together with relevant supporting documentation, satisfactory to the Purchaser, acting reasonably.

### **(b) Owned Real Property Adjustments.**

Real property taxes, local improvement rates, water/garbage rates, utilities/fuel costs, monthly amounts paid or payable by the MOH for the month in which the Closing occurs, and amounts payable in respect of Leases and any Assumed Contract and other usual and customary items which are the subject of commercial real property retirement and long term care facility transaction adjustments (and expressly excluding the Collective Agreement, Benefit Plans and matters provided for in the Employee Liabilities Adjustment) shall be adjusted as of the Closing Date.

### **(c) Adjustment for MOH Repayments.**

The Vendor and the Purchaser, each acting reasonably, shall use their best efforts to agree on the estimated amount that may be repayable to or receivable from the

MOH in regard to any overpayments/credits for the period prior to the Closing (not including adjustments for monthly amounts paid or payable by the MOH for the month in which the Closing occurs which are adjusted pursuant to Section 2.8(b) hereof) (the "**MOH Closing Adjustment**") on or before the 10<sup>th</sup> Business Day before the Closing Date. On Closing, the Purchase Price shall be adjusted by that amount in favour of the Purchaser if the Vendor is in a net payable position with the MOH at Closing or in favour of the Vendor if the Vendor is in a net receivable position with the MOH at Closing. There shall be no further adjustment in regard to the MOH Closing Adjustment after Closing.

- (d) The Vendor shall deliver a statement of adjustments for the items set out in subsections (a) to (c) above to the Purchaser at least three (3) Business Days before Closing together with an up to date rent roll of the Leases and such other background information as may be reasonably required to complete and verify the items on the statement of adjustments, and the parties shall undertake to readjust any item on or omitted from the statement of adjustments except the MOH Closing Adjustment for a period of six (6) months from Closing.

(e) **No Adjustments for Inventory.**

There shall be no adjustment to the Purchase Price in favour of the Vendor on account of Inventory.

(f) **No Adjustments for Receivables**

The Receivables shall become the property of the Purchaser on Closing and shall be collected by the Purchaser on its own account thereafter. There shall be no adjustment to the Purchase Price in favour of the Vendor on account of the Receivables.

(g) **Adjustment Dispute Resolution.**

- (i) Should there be any dispute concerning the calculation of the Employee Liabilities Adjustment, the Owned Real Property adjustments and/or the MOH Closing Adjustment that remains unresolved at Closing, the Purchaser and the Vendor shall cooperate in good faith to resolve any such dispute as promptly as possible. If the Purchaser and the Vendor are unable to resolve any dispute regarding calculation of the Employee Liabilities Adjustment, the Owned Real Property adjustments and/or the MOH Closing Adjustment within thirty (30) days of Closing or such longer period as the Purchaser and the Vendor shall mutually agree in writing, the Vendor and the Purchaser shall engage a mutually agreeable independent accounting firm (the "**Arbitrator**") to resolve all issues bearing on such dispute and to determine finally the actual Employee Liabilities Adjustment, the Owned Real Property adjustments and/or the MOH Closing Adjustment as of the Closing Date. The parties agree that

such resolution and determination shall be final and binding on the Vendor and the Purchaser.

- (ii) The Arbitrator shall use commercially reasonable efforts to complete its work within thirty (30) days of its engagement. The expenses of the Arbitrator shall be shared equally by the Vendor and the Purchaser, or as otherwise determined by the Arbitrator.
- (iii) The Vendor's Solicitors shall pay out the funds held for these adjustments with interest earned thereon, if any, in accordance with the direction of the Vendor and the Purchaser if they agree or in accordance with the Arbitrator's decision on receipt thereof, without further inquiry.

## **2.9 Allocation of Purchase Price**

**[INTENTIONALLY DELETED]**

## **2.10 Taxes**

- (a) The Purchaser will be responsible for all registration fees and land transfer taxes payable in connection with the Transaction.
- (b) The Purchaser will pay upon Closing, all land transfer taxes, HST and any other applicable federal, provincial and municipal taxes exigible on the transfer and sale. Alternatively, where applicable, the Purchaser may furnish the Vendor with appropriate exemption certificates including for the Owned Real Property a warranty and indemnity that includes the Purchaser's HST registration number in form satisfactory to the Vendor's solicitors, acting reasonably.
- (c) The Purchaser agrees to indemnify and save the Vendor harmless from and against all claims and demands for payment of all applicable transfer and sale taxes including penalties and interest and any liability or costs incurred as a result of any failure to pay such taxes when due. Notwithstanding the foregoing and for greater certainty, the Purchaser shall not be responsible for the payment of any taxes exigible on the Vendor or the Debtor in connection with the transactions contemplated herein.

## **2.11 Assumed Salaried Employees**

- (a) On or before the Closing Date and subject to Closing, the Purchaser will offer employment to at least 75% of the Salaried Employees as agreed upon by the Purchaser, after conducting its due diligence on substantially the same terms and conditions as they had been employed by the Vendor. Such employees who are offered employment shall be referred to as the "Transferred Employees". Prior to the expiry of the Due Diligence Period, the Purchaser shall determine which employees it intends to offer employment. The Purchaser in making the offer of employment will recognize the seniority and years of service of such Transferred Employees for purposes of the *Employment Standards Act (Ontario)*, as amended,

only. The Vendor will be responsible for all payments to be made and all expenses, costs and other liabilities and obligations of any kind whatsoever arising out of or in connection with the termination of those employees who are not offered employment by the Purchaser.

- (b) The Purchaser acknowledges and agrees that:
  - (i) the Vendor makes no representation or warranty that any Salaried Employee will accept employment with the Purchaser, and
  - (ii) the acceptance by Assumed Salaried Employees of offers of employment with the Purchaser will not constitute a condition to the Purchaser's obligation to complete the Transaction.

## **2.12 Unionized Employees**

- (a) In accordance with Applicable Law, the Purchaser shall become the successor employer under the Collective Agreement with respect to the Unionized Employees whose employment is governed by the Collective Agreement and shall be bound by and comply with the terms of the Collective Agreement.
- (b) Effective as of the Closing Date, the Purchaser shall assume all of the Debtor's liabilities and obligations (and the liabilities and obligations of the Vendor, if any) under the Collective Agreement, including all of the Debtor's liabilities and obligations (and the liabilities and obligations of the Vendor, if any) under the Benefit Plans.

## **2.13 Intentionally Deleted**

**[INTENTIONALLY DELETED]**

## **2.14 Notice of Change of Employment**

The Purchaser may give such notice to the Assumed Employees concerning the change of their employer with respect to the Business as the Purchaser, in light of Applicable Law, considers reasonable.

## **2.15 Employee List**

Prior to expiration of the Due Diligence Period, the Vendor shall provide the Purchaser with a current list of Employees (the "**Employee List**"), in a format to be agreed upon by both of the parties hereto, each acting reasonably. The Employee List shall include for each Employee their name, job title, hire date, wage or salary rate, amount of accrued vacation pay and rate that vacation pay accumulates, amount of accrued sick leave credits, and a job duty outline, and for hourly employees, the number of hours generally worked per week. At least ten (10) Business Days before the Closing Date, the Vendor shall deliver to the Purchaser an up-to-date Employee

List of all Employees as at such date certified by an officer of the Vendor verifying to the extent of its knowledge the accuracy of the contents thereof. On the Closing Date, the Vendor shall also deliver to the Purchaser a further updated Employee List as at the Closing Date. For the first employee list, the Vendor will have confirmed the accuracy of the Employee List with the individual Employees prior to providing the Employee List to the Purchaser.

## **2.16 Assumed Employees General**

- (a) Until the Closing Date, subject to the Employee Liabilities Adjustment, the Vendor will be responsible for payment of all wages, statutory deductions, remittances, assessments, bonuses, vacation pay, severance pay, termination pay, amounts paid in lieu of notice, payments under the Collective Agreement for the Unionized Employees and any other remuneration, benefits and deductions for all the Assumed Employees, including without limitation, Benefit Plan premiums and contributions and any other amounts required to be paid in respect of pension plans in which the Assumed Employees participate, that become due and payable prior to the Closing Date. On the Closing Date, the Purchaser will assume the Accrued Payroll and other items in the Employee Liabilities Adjustment for the Assumed Employees, as provided in Section 2.8(a) hereof.
- (b) Effective as of the Closing Date, the Purchaser will assume the obligations of the Debtor and the Vendor, if any, with respect to the Assumed Employee Liabilities and of the Debtor and the Vendor as sponsor under the Benefit Plans.
- (c) Except to the extent otherwise imposed by Applicable Law, the Vendor will be responsible for all unpaid workers' compensation amounts, including payroll premiums, non-compliance charges, experience rating surcharges, work week surcharges, levies and penalties relating to the Assumed Employees arising out of events occurring prior to the Closing Date, and the Purchaser will be responsible for all such amounts arising out of events occurring on or after the Closing Date and relating to the Assumed Employees. The Vendor to provide the Purchaser proof of its good standing with the Workers Safety and Insurance Board and confirmation that all such foregoing charges and amounts payable to the Closing Date have been paid.
- (d) The Vendor agrees to indemnify and save the Purchaser harmless from and against all claims and demands for payment in connection with its responsibility for Employee Liabilities as provided in Sections 2.16(a) and 2.16(c) hereof. The Purchaser agrees to indemnify and save the Vendor harmless from and against all claims and demands for payment in connection with the Employee Liabilities for the Assumed Employees attributable to the period following Closing including the Employee Liabilities Adjustment as provided in Section 2.8(a), and its responsibilities as provided in Section 2.12 and 2.16(b).

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**ARTICLE 3**  
**REPRESENTATIONS AND WARRANTIES**

**3.1 Purchaser's Representations**

The Purchaser represents and warrants to the Vendor that:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Ontario;
- (b) the Purchaser has all the necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations and the execution and delivery of this Agreement and the consummation of the transactions contemplated have been duly authorized by all necessary corporate actions on the part of the Purchaser;
- (c) the Purchaser is not a party to, bound or affected by or subject to any indenture, agreement, instrument, charter or by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the performance by it of any of the terms contained in this Agreement; and
- (d) the Purchaser is not a non-Canadian person as defined in the *Investment Canada Act*.

**3.2 Vendor's Representations**

The Vendor represents and warrants to the Purchaser that:

- (a) the Vendor has the right to enter into this Agreement and, subject to the granting of the Approval and Vesting Order by the Court, to complete the Transaction;
- (b) the Vendor is not a non-resident of Canada within the meaning of that term as used in the *Income Tax Act* (Canada);
- (c) save and except for the charges created pursuant to the Appointment Order, the Vendor has not previously sold or done any act to encumber the Assets;
- (d) to the best of the Vendor's knowledge, no actions or proceedings are pending and none have been threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement;
- (e) the Vendor is the interim receiver and receiver and manager of the Debtor, pursuant to and on the terms of the Appointment Order; and
- (f) save and except for the Collective Agreement, to the best of the Vendor's knowledge, there are not:



- (i) any other collective bargaining agreement or contract with any trade union or employee organization in respect of Employees;
  - (ii) any current labour negotiations;
  - (iii) any threatened strike or other labour stoppage; or
  - (iv) any grievance or arbitration made or threatened under the Collective Agreement, except as may be disclosed in writing to the Purchaser prior to the Acceptance Date.
- (g) the Vendor has maintained the Assets and operated the Business separate and apart from the undertakings of Paragon Health Care Inc. and Paragon Health Care Inc. does not own or have an interest in any of the assets located on the Owned Real Property.

#### ARTICLE 4 CONDITIONS

##### 4.1 Conditions of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the fulfillment of each of the following conditions before the Closing Date (unless otherwise specified, or unless otherwise waived by the Purchaser as it may determine in its sole and unfettered discretion):

- (a) the inspections and investigations contemplated in Section 5.6 hereof, the investigation of title to the Owned Real Property and the restrictions on its use and any orders and notices affecting the Owned Real Property and other due diligence by the Purchaser of the Assets and Business shall have been completed and the Purchaser shall be satisfied with the results of those inspections, investigations and such due diligence, including the accuracy of the matters represented and warranted in Section 3.1 hereof prior to expiration of the Due Diligence Period (the "**Due Diligence Condition**");
- (b) the Purchaser shall have finalized financing terms to facilitate the completion of the Transaction prior to expiration of the Due Diligence Period (the "**Financing Condition**");
- (c) the Purchaser shall be satisfied as to any conditions imposed by the MOH on the Transaction within fifteen (15) days of receipt of the terms / conditions imposed by the MOH;
- (d) the Vendor shall have provided a Phase 1 Environmental Report prepared by AiMS Environmental on the Owned Real Property, acceptable to the Purchaser within sixty (60) days of the Acceptance Date;
- (e) the Purchaser has received approval from the Board of Southbridge Management Services Inc. prior to expiration of the Due Diligence Period;

- (f) all representations and warranties of the Vendor contained in this Agreement will be true as of the Closing Date with the same effect as though made on and as of that date, excluding the representation in 3.2(f) which is made only as of the Acceptance Date;
- (g) no action or proceedings will be pending or threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement on the Closing Date;
- (h) the Vendor will have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date; and
- (i) no material loss or damage to the Assets will have occurred on or before the Closing Date, subject to the provisions of Section 5.8 hereof.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition may be waived by the Purchaser in whole or in part. Any such waiver will be binding on the Purchaser only if made in writing.

#### 4.2 Conditions of the Vendor

The obligation of the Vendor to complete the Transaction is subject to the fulfillment of each of the following conditions before the Closing Date (unless otherwise specified, or unless otherwise waived by the Vendor in its sole discretion):

- (a) all representations and warranties of the Purchaser contained in this Agreement will be true as of the Closing Date with the same effect as though made on and as of that date;
- (b) no action or proceedings will be pending or threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement;
- (c) the Purchaser will have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date; and
- (d) no material loss or damage to the Assets will have occurred on or before the Closing Date subject to the provisions of Section 5.8 hereof.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition may be waived by the Vendor in whole or in part. Any such waiver will be binding on the Vendor only if made in writing.

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#### 4.3 Mutual Conditions

The obligations of the Vendor and Purchaser to complete the Transaction are subject to the following conditions being fulfilled or performed at or prior to the Closing:

- (a) On or within 30 days following satisfaction or waiver by the Purchaser of the Due Diligence Condition and the Financing Condition, an order will have been made by the Court approving this Agreement and the Transaction and vesting in the Purchaser all the right, title and interest of the Debtor in the Assets free and clear of all liens, security interests and other encumbrances, save and except for the Permitted Encumbrances, such order to be substantially in the form of the order attached hereto as Exhibit A (the "**Approval and Vesting Order**");
- (b) the Approval and Vesting Order will not have been stayed, varied or vacated and no order will have been issued and no action or proceeding will be pending to restrain or prohibit the completion of the Transaction; and
- (c) on or before November 30, 2011, the MOH shall have approved the purchase by the Purchaser contemplated under this Agreement and the MOH shall have approved the Purchaser for transfer of the Licence(s) or for issue of licences similar to the Licence(s).

The parties hereto acknowledge that the foregoing conditions are for the mutual benefit of the Vendor and the Purchaser.

#### 4.4 Transfer of Licenses

The Vendor shall make within 10 days of the making of the Approval and Vesting Order the necessary filings of material with the MOH to request the granting of approval of the Transaction including notice of surrender of the Licence(s) on condition the MOH issue licence(s) similar to the Licence(s) to the Purchaser.

The Purchaser shall submit the materials required by the MOH to approve the transfer of the Licence(s) within 45 days of the satisfaction of the Due Diligence Condition and thereafter take all commercially reasonable steps necessary and use due diligence to obtain the licence(s).

#### 4.5 Non-Satisfaction of Conditions

If any condition set out in this Article is not satisfied or performed prior to the time specified therefor, a party for whose benefit the condition is inserted may in writing:

- (a) waive compliance with the condition in whole or in part in its sole discretion by written notice to the other party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect by written notice to the other party delivered on or before the date specified for the condition to terminate this Agreement.

#### **4.6 Exclusive Dealings**

Until expiration or earlier waiver of the Due Diligence Period, the Vendor shall not take any action, directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any information to any Person, other than the Purchaser and its designated and authorized representatives, concerning any sale, transfer, assignment, licence, merger or similar transaction involving the Assets.

### **ARTICLE 5 CLOSING**

#### **5.1 Closing**

The completion of the Transaction will take place at the offices of the Vendor's Solicitors, on the Closing Date or as otherwise determined by mutual agreement of the parties in writing.

#### **5.2 Purchaser's Deliveries on Closing**

At or before the Closing Date, the Purchaser will execute and deliver to the Vendor the following, each of which will be in form and substance satisfactory to the Vendor's Solicitors, acting reasonably:

- (a) a bill of sale and assignment substantially in the form of Exhibit B;
- (b) a certificate of a senior officer of the Purchaser dated the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (c) a certificate of a senior officer of the Purchaser dated the Closing Date, confirming that each of the conditions precedent in Section 4.1 hereof, other than those previously stated as fulfilled, performed or waived by the Purchaser, have been fulfilled, performed or waived as of the Closing Date;
- (d) an assumption agreement as contemplated by Section 2.5 hereof;
- (e) an undertaking to readjust any item on or omitted from the statement of adjustments as provided for in Section 2.8(d) hereof;
- (f) a mutual indemnity agreement in respect of the Assumed Employees as contemplated by Section 2.16(d) hereof; and
- (g) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to give effect to this Agreement.

The Purchaser shall also deliver the balance of the Purchase Price in accordance with the provisions of Section 2.7(c) hereof.

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### 5.3 Vendor's Deliveries on Closing

At or before the Closing Date, the Vendor will execute and deliver to the Purchaser the following, each of which will be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) a statement of adjustments as contemplated by Section 2.8(d) hereof;
- (b) a bill of sale and assignment substantially in the form of Exhibit B;
- (c) a certificate of an officer of the Vendor dated the Closing Date confirming that all of the representations and warranties of the Vendor contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date, excluding the representation in section 3.2(f) hereof;
- (d) a certificate of an officer of the Vendor dated the Closing Date confirming that each of the conditions precedent in Section 4.2 hereof have been fulfilled, performed or waived as of the Closing Date;
- (e) an assumption agreement as contemplated by Section 2.5 hereof;
- (f) an undertaking to readjust any item on or omitted from the statement of adjustments as provided for in Section 2.8(d) hereof;
- (g) a mutual indemnity agreement in respect of the Assumed Employees as contemplated by Section 2.16(d) hereof;
- (h) the Approval and Vesting Order and Receiver's Certificate;
- (i) an updated Employee List;
- (j) a transfer of the Resident Trust Funds together with related records; and
- (k) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement.

### 5.4 Purchaser's Acknowledgement

The Purchaser acknowledges that the Vendor is selling the right, title and interest of the Debtor in and to the Assets pursuant to the Vendor's powers as authorized by the Appointment Order and the Approval and Vesting Order substantially in the form attached hereto as Exhibit "A". The Purchaser agrees to purchase and accept the right, title and interest of the Debtor in and to the Assets pursuant to and in accordance with the terms of this Agreement and the bill of sale and assignment and other assignment agreements delivered pursuant to the terms of this Agreement.

### 5.5 Possession of Assets and Resident Trust Funds

The Vendor will remain in possession of the Assets until the Closing Date. On Closing, the Purchaser will take possession of the Assets and the Resident Trust Funds wherever situate as at the Closing Date. The Purchaser acknowledges that the Vendor has no obligation to deliver physical possession of the Assets to the Purchaser. In no event will the Assets be sold, assigned, transferred or set over to the Purchaser until the Purchaser has satisfied all delivery requirements outlined in Section 5.2 hereof.

### 5.6 Access to Assets

- (a) The Purchaser and its duly authorized representatives may have reasonable access to the Assets located at the Debtor(s)' Owned Real Property during normal business hours during the Due Diligence Period for the purpose of enabling the Purchaser to conduct such inspections of the Assets as it deems appropriate, provided the Purchaser gives the Vendor at least forty-eight (48) hours prior notice of the times it intends to conduct such inspections. Such inspection will only be conducted in the presence of a representative of the Vendor if so required at the discretion of the Vendor.
- (b) The Vendor will furnish to the Purchaser and its duly authorized representatives any financial and operating data and other information and documentation with respect to the Business as the Purchaser reasonably requests, including all working papers of Diversicare in any way relating to the Business and all documents relating to the Owned Real Property. The parties expressly agree and understand that there will be some documents not within the actual possession of the Vendor. The Purchaser shall make every reasonable effort to specifically describe any document requested from the Vendor and the Vendor will make reasonable efforts to cause such relevant documents to be disclosed within ten (10) Business Days of any such request.
- (c) The Purchaser agrees to indemnify and save the Vendor harmless from and against all claims, demands, losses, damages, actions and costs incurred or arising from or in any way directly related to the inspection of the Assets or the attendance of the Purchaser, its employees, contractors or agents at the Owned Real Property.

### 5.7 Conduct of Business Before Closing

During the period beginning on the Acceptance Date to and including the Closing Date, the Vendor shall:

- (a) operate the Business in the ordinary course;
- (b) maintain and keep the Assets in their present state of repair, ordinary wear and tear excepted;

- (c) notify the Purchaser of any breach of any representation, warranty or covenant in this Agreement;
- (d) not do any act or omit to do any act that would cause a breach of any representation, warranty, covenant or agreement contained in this Agreement;
- (e) notify the Purchaser of any matter represented in Section 3.2(f) that comes within its knowledge after the Acceptance Date;
- (f) not make any material change in the terms of employment of Employees; and
- (g) assist the Purchaser so as to effect an orderly transition of the Business to the Purchaser for a period of ninety (90) days following Closing, including, *inter alia*, introducing the Purchaser to the local long term care home market, its Assumed Employees, suppliers, key clients and residents of the Business.

## 5.8 Risk

The Assets will be and remain at the risk of the Debtor and/or the Vendor until Closing and at the risk of the Purchaser from and after Closing. Pending completion, the Vendor will hold insurance policies covering the Assets and any proceeds derived therefrom for the parties as their respective interest may appear. If, prior to Closing, the Assets are substantially damaged or destroyed by fire or other casualty, then, at its option, the Purchaser may decline to complete the transaction. Such option will be exercised within 15 days after notification to the Purchaser by the Vendor of the occurrence of damage or destruction (or prior to the Closing Date if such occurrence takes place within 15 days of the Closing Date) in which event this Agreement will be terminated automatically and the Purchaser will be entitled only to a return of the Deposits paid under Section 2.7 hereof and the Deposit Interest but without any other compensation. If the Purchaser does not exercise such option, or where any damage or destruction is not substantial, the Purchaser will complete the Transaction and will be entitled to the proceeds of any insurance payable as a result of the occurrence of such loss, damage or destruction. If any dispute arises under this Section as to whether damage or destruction is substantial or with respect to the amount of any abatement, such dispute will be determined in accordance with the arbitration provision referred to in Section 5.9 hereof.

## 5.9 Arbitration

If any dispute arises under Section 5.8 hereof as to whether any damage or destruction is substantial or with respect to the amount of any abatement, such dispute will be determined by an arbitrator mutually acceptable to the parties. If the parties fail to agree on an arbitrator, either may, after such party has notified the other of such failure to agree, give notice to the other party that it wishes to submit the dispute to arbitration by a single arbitrator in accordance with the *Arbitration Act*, 1991 (Ontario). The decision of the arbitrator, which will be final and binding on the parties, will be made as soon as possible following his appointment. The fees and expenses of the arbitration will be borne equally by the parties or as otherwise determined by the arbitrator. If an arbitration proceeding is commenced pursuant to this Section prior to the Closing Date, the

Closing Date will be automatically extended to the date, which is four (4) Business Days from the date of the decision of the arbitrator.

### **5.10 Termination**

If either the Vendor or the Purchaser validly terminates this Agreement pursuant to the provisions of Sections 4.5 or 5.8 hereof:

- (a) all the obligations of both the Vendor and Purchaser pursuant to this Agreement will be at an end; and
- (b) neither party will have any right to specific performance or other remedy against, or any right to recover damages or expenses from, the other.

For greater certainty, in the event that the Purchaser terminates this Agreement following the expiration of the Due Diligence Period for any reason other than Non-satisfaction of the Mutual Conditions or the Conditions in favour of the Purchaser set out in Sections 4.1 (c) or (f) to (i) or as a result of the Vendor's default hereunder, the Deposits along with the Deposit Interest shall be released by the Vendor's Solicitors from trust and paid to the Vendor in full satisfaction of all damages, losses, costs and expenses resulting therefrom. In the event that the Purchaser terminates this Agreement prior to the expiration of the Due Diligence Period for any reason whatsoever as the Purchaser may determine in its sole and unfettered discretion, the Vendor shall forthwith return the Deposits and the Deposit Interest to the Purchaser.

### **5.11 Limitation on Indemnity by the Vendor**

Any claim by the Purchaser under any indemnity of the Vendor in this Agreement, including those in Section 2.16(d) must be made in writing on or before the end of the sixth month following the Closing Date.

## **ARTICLE 6 GENERAL**

### **6.1 Electronic Registration**

The Purchaser agrees to cause all necessary procedures to be taken, as may be required by the Vendor or the Vendor's Solicitors, to complete the Owned Real Property part of the Transaction using the system for electronic registration operative and mandatory in the applicable land registry office ("Ereg") in accordance with the Law Society of Upper Canada's guidelines. The Purchaser agrees to use a lawyer authorized to use Ereg and who is in good standing with the Law Society of Upper Canada and the Purchaser's Solicitors will enter into the Vendor's Solicitors' standard form of escrow closing agreement or document registration agreement, which will establish the procedures for closing the Transaction provided same are in accordance with Law Society guidelines. If the Purchaser's Solicitors are unwilling or unable to complete this transaction using Ereg, then the Purchaser's Solicitors must attend at the Vendor's Solicitors' office or at another location designated by the Vendor's Solicitors at such time on Closing as directed by the Vendor's Solicitors to complete the transaction using Ereg utilizing



the Vendor's Solicitors' computer facilities, in which event, the Purchaser shall pay to the Vendor's Solicitors a reasonable fee therefor.

## **6.2 Paramountcy**

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered by the Vendor in connection with this Transaction or this Agreement, the provisions of this Agreement will prevail to the extent of such conflict or inconsistency.

## **6.3 Vendor's Capacity**

The Vendor acts solely in its capacity as court appointed interim receiver and receiver and manager of the Debtor and will have no personal or corporate liability under this Agreement.

## **6.4 Commission**

Other than commissions payable by the Vendor to the listing agent, John A. Jensen Realty Inc., in connection with this Transaction, which may include a co-operating broker commission, each party acknowledges that there are no other agent or broker fees or other commissions payable by such party on the Purchase Price or otherwise in connection with the Transaction, and each party agrees to indemnify the other party against any claim for compensation or commission by any third party or agent retained by such party in connection with, or in contemplation of, the Transaction.

## **6.5 Confidentiality**

- (a) The Vendor will provide to the Purchaser Confidential Information including information which might reasonably be expected to materially affect: (i) the decision of a prospective purchaser to complete the Transaction; or (ii) the value of the Assets. The Vendor does not represent or warrant the accuracy or completeness of any of the Confidential Information and the Vendor assumes no liability whatsoever to the Purchaser if information, which may be deemed by the Purchaser to have been material to a prospective purchaser to contemplate the Transaction or to the value of the Business, is not provided by the Vendor to the Purchaser.
- (b) All information exchanged between the Vendor and the Purchaser in connection with the Transaction will be considered Confidential Information. Any publicity relating to the Transaction and the manner of releasing any information regarding the Transaction will be mutually agreed upon by the Vendor and the Purchaser, both parties acting reasonably.
- (c) The Vendor will continue to have all right, title and interest in and to the Confidential Information and the Confidential Information will be held in trust by the Purchaser for the benefit of the Vendor. The Purchaser will not, directly or indirectly, use, exploit or disclose the Confidential Information for any reason

other than evaluating and assessing the Assets for the purpose of acquiring the Assets. Disclosure or use of the Confidential Information by the Purchaser in breach of this Agreement will be deemed to cause the Vendor irreparable harm for which damages may not be an adequate remedy.

- (d) The Purchaser will disclose the Confidential Information only to those of the Purchaser's employees and professional advisors who will have a need to know the Confidential Information for the purpose of evaluating the Assets and, in each case, only after the relevant professional advisors agree in writing and in favour of the Vendor not to disclose the Confidential Information to any other person. The Purchaser will, upon request of the Vendor, deliver copies of such written agreements to the Vendor.
- (e) If the Agreement is terminated for any reason other than the default of the Vendor, the Purchaser will, upon request of the Vendor, immediately return all Confidential Information and copies thereof to the Vendor, or will destroy such Confidential Information and copies thereof, and furnish proof of their destruction to the reasonable satisfaction of the Vendor. If the Agreement is terminated by reason of a default of the Vendor, the Purchaser may delay return of such parts of the Confidential Information as may be reasonably required to deal with any action or claim arising out of such termination until such action or claim has been determined or otherwise resolved.

## 6.6 Costs and Expenses

Except as otherwise specified in this Agreement, all costs and expenses (including the fees and disbursements of accountants, legal counsel and other professional advisers) incurred in connection with this Agreement and the completion of the Transaction are to be paid by the party incurring those costs and expenses. If this Agreement is terminated, the obligation of each party to pay its own costs and expenses is subject to each party's respective rights arising from a breach or termination.

## 6.7 Time of Essence

Time is of the essence in all respects of this Agreement.

## 6.8 Notices

Any Communication must be in writing and either:

- (a) personally delivered;
- (b) sent by prepaid registered mail; or
- (c) sent by facsimile or similar method of recorded communication, charges prepaid.

Any Communication must be sent to the intended recipient at its address as follows:

to the Purchaser at:

201-150 Water Street South  
Cambridge, ON N1R 3E2

Attention: Robert Yoanidis  
Facsimile No. 519.621.8144

with a copy to:

Miller Thomson, LLP  
Accelerator Building, 295 Hagey Blvd., Suite 300  
Waterloo, ON N2L 6R5

Attention: Dwayne Kuiper  
Facsimile No.: 519.743.2540  
E-mail: [dkuiper@millerthomson.com](mailto:dkuiper@millerthomson.com)

to the Vendor at:

Deloitte & Touche Inc.  
181 Bay Street, Suite 1400  
Toronto, Ontario M5J 2V1

Attention: Daniel R. Weisz, CA•CIRP  
Hartley Bricks, MBA, CA•CIRP  
Facsimile No.: 416-601-6690  
E-mail: [dweisz@deloitte.ca](mailto:dweisz@deloitte.ca)  
[hbricks@deloitte.ca](mailto:hbricks@deloitte.ca)

with a copy to

Gowling Lafleur Henderson, LLP  
1 First Canadian Place  
Suite 1600  
Toronto, Ontario  
Canada M5X 1G5

Attention: Clifton Prophet  
Harry VanderLugt  
Facsimile No.: 416-862-7661  
E-mail: [clifton.prophet@gowlings.com](mailto:clifton.prophet@gowlings.com)  
[harry.vanderlugt@gowlings.com](mailto:harry.vanderlugt@gowlings.com)

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or at such other address as any party may from time to time advise the other by Communication given in accordance with this Section 6.8 hereof. Any Communication delivered to the party to whom it is addressed will be deemed to have been given and received on the day it is so delivered at that party's address, provided that if that day is not a Business Day then the Communication will be deemed to have been given and received on the next Business Day. Any Communication transmitted by facsimile or other form of recorded communication will be deemed to have been given and received on the day on which it was transmitted (but if the Communication is transmitted on a day which is not a Business Day or after 3:00 p.m. (local time of the recipient), the Communication will be deemed to have been received on the next Business Day). Any Communication given by registered mail will be deemed to have been received on the 5<sup>th</sup> Business Day after which it is so mailed. If a strike or lockout of postal employees is then in effect, or generally known to be impending, every Communication must be effected by personal delivery or by facsimile transmission.

#### **6.9 Further Assurances**

Each party shall, at the requesting party's cost, execute and deliver such further agreements and documents and provide such further assurances as may be reasonably required by the other party to give effect to this Agreement and, without limiting the generality of the foregoing, shall do or cause to be done all acts and things, execute and deliver or cause to be executed and delivered all agreements and documents and provide such assurances, undertakings and information as may be required from time to time by all regulatory or governmental bodies or stock exchanges having jurisdiction over the affairs of a party or as may be required from time to time under applicable securities legislation.

#### **6.10 Amendment and Waiver**

No supplement, modification, amendment, waiver, discharge or termination of this Agreement is binding unless it is executed in writing by the party to be bound. No waiver of, failure to exercise or delay in exercising, any provision of this Agreement constitutes a waiver of any other provision (whether or not similar) nor does such waiver constitute a continuing waiver unless otherwise expressly provided.

#### **6.11 Submission to Jurisdiction**

Without prejudice to the ability of any party to enforce this Agreement in any other proper jurisdiction, each of the parties irrevocably submits and attorns to the exclusive jurisdiction of the courts of the Province of Ontario to determine all issues, whether at law or in equity arising from this Agreement. To the extent permitted by Applicable Law, each of the parties irrevocably waives any objection (including any claim of inconvenient forum) that it may now or hereafter have to the venue of any legal proceeding arising out of or relating to this Agreement in the courts of the Province of Ontario or that the subject matter of this Agreement may not be enforced in the courts and irrevocably agrees not to seek, and hereby waives any right to, judicial review by any court which may be called upon to enforce the judgment of the courts referred to herein, of the substantive merits of any such suit, action or proceeding. To the extent a party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution,

execution or otherwise) with respect to itself or its property, that party hereby irrevocably waives such immunity in respect of its obligations under this Agreement.

#### **6.12 Assignment and Enurement**

Neither this Agreement nor any right or obligation hereunder may be assigned by either party without the prior written consent of the other party. Notwithstanding the foregoing, the Vendor will permit assignment by the Purchaser of this Agreement to a related party. The Purchaser shall not be released in whole or in part of its obligations under the Agreement by such permitted assignment. This Agreement enures to the benefit of and is binding upon the parties and their respective successors and permitted assigns.

#### **6.13 Severability**

Each provision of this Agreement is distinct and severable. If any provision of this Agreement, in whole or in part, is or becomes illegal, invalid or unenforceable in any jurisdiction by a court of competent jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect:

- (a) the legality, validity or enforceability of the remaining provisions of this Agreement; or
- (b) the legality, validity or enforceability of that provision in any other jurisdiction.

#### **6.14 Counterparts**

This Agreement may be executed and delivered by the parties in one or more counterparts, each of which when so executed and delivered will be an original and such counterparts will together constitute one and the same instrument.

#### **6.15 Facsimile Signatures**

Delivery of this Agreement by facsimile or PDF transmission constitutes valid and effective delivery.



Each of the parties has executed and delivered this Agreement, as of the date noted at the beginning of the Agreement.

**DELOITTE & TOUCHE INC.**, solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

Per

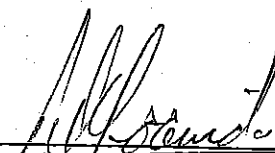


Name: DANIEL WEISS

Title: SENIOR VICE PRESIDENT

SAC 4 Inc.

Per



Name: Robert Yoanidis

Title: Vice-President

**SCHEDULE 1**  
**APPOINTMENT ORDER**

Attached

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Court File No. 06-CL-6233

**ONTARIO**

**SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)**

**COMMERCIAL LIST**

THE HONOURABLE ) MONDAY, THE 23<sup>rd</sup> DAY  
 )  
JUSTICE CUMMING ) OF JANUARY, 2006

**PEOPLES TRUST COMPANY**

Applicant

- and -

**PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED**

Respondents

**APPLICATION UNDER section 47 of Bankruptcy and  
Insolvency Act, R.S.C. 1985, c. B-3, and under section  
101 of the Courts of Justice Act, R.S.O. 1990, c. C.43**

**ORDER**

**THIS MOTION**, made by the Applicant for an Order pursuant to section 47(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the Courts of Justice Act, R.S.O. 1990 c. C-43, as amended (the "CJA") appointing Mintz & Partners Limited ("Mintz") as interim receiver and receiver and

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manager (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Paragon Health Care Inc. ("Paragon") and 1508669 Ontario Limited ("150 Ontario") was heard this day at 393 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of James Dysart sworn January 13, 2006 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant and the Respondents, no one appearing for the persons referenced in the Service List appended hereto as **Appendix "A"**, although duly served as appears from the affidavit of service of Carla Clarizia sworn January 17, 2006 (the "Affidavit of Service") and on reading the consent of Mintz to act as the Receiver,

#### **SERVICE AND AMENDMENT**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged so that this motion is properly returnable today, service upon those parties described in the Affidavit of Service is hereby validated and any further service of the Notice of Application and Application Record is hereby dispensed with.

2. **THIS COURT ORDERS** that Paragon Health Care (Ontario) Inc. ("Paragon Ontario") be added as a respondent to these proceedings.

#### **APPOINTMENT**

3. **THIS COURT ORDERS** that pursuant to section 47(1) of BIA and section 101 of the CJA, effective 9:00 a.m. Eastern Standard Time January 24, 2006, Mintz is hereby appointed Receiver, without security, of all of the current and future assets, undertakings and properties of Paragon, 150 Ontario and Paragon Ontario (collectively, the "Debtors"), of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property"), including, without limitation, the real property described in **Appendix "B"** hereto.

**RECEIVER'S POWERS**

4. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, protect and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate and carry on the business of the Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business or cease to perform any contracts of the Debtors;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the powers and duties conferred by this Order, including, without limitation, Diversicare Canada Management Services Co., Inc., or such other third party operator as the Receiver may in its discretion designate (the "Manager");
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;

- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors and to collect any payments or subsidies from the Ontario Ministry of Health and Long Term Care (the "MOH") and any municipalities, provided, however, that notwithstanding anything herein contained, any monies received by the Receiver from the MOH pursuant to this Order shall be used or applied by the Receiver only in accordance with the operation of the Debtors' nursing homes which are currently licensed pursuant to the *Nursing Homes Act*, R.S.O. 1990, c. N-7, as amended and the regulations thereunder (the "NHA") and related policy (and which amounts will be subject to MOH review and reconciliation as provided for by applicable law);
- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtors;
- (j) to undertake such repairs and improvements to the Property as the Receiver may, in its discretion, deem appropriate or the MOH may require;
- (k) to apply for such permits, licenses, approvals or permissions as may be required by any governmental authority with respect to the Property, including, without limitation, licenses under the NHA;
- (l) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to

settle or compromise any such proceedings, including, without limitation, any grievances or other labour disputes. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

- (m) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (n) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
  - (i) without the approval of this Court in respect of any transaction not exceeding \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$200,000; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (o) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (p) to report to, meet with and discuss with such secured and unsecured creditors of the Debtors and their advisors as the Receiver deems appropriate on all matters relating to the Property and the receivership,

and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

- (q) to register a copy of this Order and any other Orders in respect of the Property against title to any or all of the Property;
- (r) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;
- (s) to enter into arrangements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors and the power to lend money to or indemnify any such trustee, such trustee borrowings or indemnity not to exceed \$25,000 unless otherwise increased by this Court;
- (t) to vote any shares and exercise any rights which the Debtors may have as shareholder and to otherwise deal with all securities, warrants or other interests held by the Debtors, for its benefit; and,
- (u) to take any steps reasonably incidental to the exercise of these powers,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons, including the Debtors, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

5. **THIS COURT ORDERS** that (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents and shareholders, any other persons acting on their instructions or behalf including, without limitation, any accountants

or legal counsel, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request, other than documents or information which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that all Persons shall deliver to the Receiver all of the Debtors' books, documents, securities, contracts, orders, corporate and accounting records and all computer records, computer programs, computer tapes, computer disks, data storage media and programs containing any such information, and any other papers, records and information of any kind of the Debtors relating thereto in their possession or control (the foregoing, collectively, the "Records"), and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver access to and use of accounting, computer, software and physical facilities relating thereto.
7. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to obtain access to, recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including,

without limiting the generality of the foregoing, providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

8. **THIS COURT ORDERS** that no proceeding, enforcement process, or extra-judicial proceeding in any court or other tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver or any person engaged by the Receiver, including the Manager, except with the written consent of the Receiver or with leave of this Court.

#### **NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY**

9. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

10. **THIS COURT ORDERS** that all rights and remedies against the Debtors or affecting the Property are hereby stayed and suspended pending written consent of the Receiver or leave of this Court, provided, however, that nothing in this paragraph or this Order shall:

- (a) empower the Receiver or the Debtors to carry on any business which the Debtors are not lawfully entitled to carry on;
- (b) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, or other mandatory statutory or regulatory provisions of applicable law, and, for greater certainty, this Order shall not be construed so as to prohibit,

restrain, impede or in any way interfere with the MOH, the Director under the NHA, or employees or agents of the MOH (collectively, the "Minister") in exercising any jurisdiction, duty, power, or authority granted under the NHA or the *Health Facilities Special Orders Act*, R.S.O. 1990, c. H.5, as amended, without further order of this Court or the written consent of the Receiver (including, without limitation, the right to suspend a licence, to take control of a home, or to terminate a service agreement), where it has been determined by the Minister to be necessary to protect the health, safety and welfare of residents, and any such exercise by the Minister shall not in any way diminish or derogate from the protections against liabilities afforded to the Receiver under this Order, or under the provision of the BIA, or at law or equity; or,

- (c) prevent the filing of any registration to preserve a security interest or a claim for lien.

#### **NO INTERFERENCE WITH THE RECEIVER**

11. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour renewal rights, alter, interfere with, repudiate, terminate or cease to perform any right, contract, arrangement, agreement, licence or permit in favour of or held by the Debtors, without written consent of the Receiver or leave of this Court, and, without limiting the generality of the foregoing, the MOH is hereby directed to make all payments of funds to which the Debtors are entitled directly to the Receiver and the MOH shall not suspend, cancel or set-off such payments without further order of this Court, provided, however, that nothing in this paragraph shall exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, or other mandatory statutory or regulatory provisions of applicable law from and after the date of this order.

#### **CONTINUATION OF SERVICES**



12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, failing to honour renewal rights on reasonable terms, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

#### **RECEIVER TO HOLD FUNDS**

13. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver ("Receipts") from and after the making of this Order from any source whatsoever, including, without limitation, the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

**EMPLOYEES**

14. **THIS COURT ORDERS** that the Receiver shall not be liable for any non-unionized employee-related liabilities, including, without limitation, wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than such amounts as the Receiver may specifically agree in writing to pay, or such amounts as may be determined in a Proceeding before a court or tribunal of competent jurisdiction.
15. **THIS COURT ORDERS** that the Receiver shall not be liable for any unionized employee-related liabilities, including, without limitation, wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than in accordance with the terms of the agreements appended as to the Supplementary Affidavit of James Dysart (the "Labour Agreements"), which Mintz is hereby authorized to execute in its capacity as Receiver and, if applicable, Trustee in Bankruptcy, and, for greater certainty, leave shall not be granted to any person, pursuant to s. 215 of the BIA, to commence proceedings against the Receiver or, if applicable, the Trustee in Bankruptcy, in respect of matters forming the subject matter of the Labour Agreements, other than in accordance with the terms thereof.
16. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canadian *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to

it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

#### **LIMITATION ON ENVIRONMENTAL LIABILITIES**

17. **THIS COURT ORDERS** that nothing herein contained shall require or obligate the Receiver to occupy or to take control, care, charge, occupation, possession or management of any of the Property which may be environmentally contaminated, or a pollutant or a contaminant, or cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other legislation, statute, regulation or rule of law or equity respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the Canadian *Environmental Protection Act*, the Ontario *Environmental Protection Act*, the Ontario *Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that the Receiver shall promptly advise the Ontario Ministry of the Environment of any obvious or known environmental condition existing on or in any of the Property in accordance with applicable Environmental Legislation.

#### **RECEIVER'S ACCOUNTS**

18. **THIS COURT ORDERS** that any expenditure or liability which shall properly be made or incurred by the Receiver, including (subject to the approval of the Court) the fees of the Receiver and the fees and disbursements of its legal counsel, incurred at the normal rates and charges of the Receiver and its counsel (the "Receiver's Operating Costs"), shall be allowed to it in passing its accounts and shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any



Person, including, without limitation, the security interest of Peoples Trust Company (the "Receiver's Charge").

19. **THIS COURT ORDERS** the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are referred to a judge of the Commercial List of the Ontario Superior Court of Justice.
20. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

#### **FUNDING OF THE RECEIVERSHIP**

21. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$750,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge.

22. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
23. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as **Appendix "C"** hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.
24. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a pari passu basis.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

25. **THIS COURT ORDERS** that the liability that the Receiver may incur as a result of its appointment or as a result of the performance of its duties hereunder other than the Receiver's Operating Costs or any liability arising as a result of its gross negligence or wilful misconduct (the "Receiver's Liabilities"), shall be limited in the aggregate to the Net Realizable Value of the Property. The Net Realizable Value of the Property shall be the proceeds realized in cash from the disposition of the Property after the Receiver's Operating Costs, including monies borrowed hereunder, have been paid.
26. **THIS COURT ORDERS** that the Receiver's Liabilities shall form a charge on the Net Realizable Value of the Property (the "Receiver's Liability Charge") subordinate to the Receiver's Charge and the Receiver's Borrowings Charge.

#### **GENERAL**

27. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States or elsewhere to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
29. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.
30. **THIS COURT ORDERS** that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, as provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis.
31. **THIS COURT ORDERS** that any interested party may apply to this Court, within 30 days of mailing to them of a copy of this Order, to vary or amend this Order on seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



JOSEPH P VAN TASSEL  
REGISTRAR

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

JAN 24 2006

PER/PAR: 

**APPENDIX "A"****SERVICE LIST**

**TO: PARAGON HEALTH CARE INC.**  
3595 Keele Street  
Toronto, Ontario  
M3J 1M7

**Attention: Gerald Harquail, President**

**AND TO: 1508669 ONTARIO LIMITED**  
103-111 Pelham Road  
St. Catherines, Ontario  
L2S 1S9

**Attention: Gerald Harquail, President**

**AND TO: SACK GOLDBLATT MITCHELL**  
Suite 1130, Box 180  
20 Dundas St. W.  
Toronto, Ontario  
M5G 2G8

**Attention: Michael Kainer**

Tel: (416) 977-6070

Fax: (416) 591-7333

Solicitors for Service Employees International Union, Local 1.on,  
Canadian Union of Public Employees and its Local 1263 and the Nursing  
Homes and Related Industries Pension Plan

**AND TO: MINISTRY OF FINANCE, Insolvency Unit**  
33 King Street West, 6<sup>th</sup> Floor  
Oshawa, Ontario  
L1H 8H5

**AND TO: DEPARTMENT OF JUSTICE (CANADA)**

Ontario Regional Office  
The Exchange Tower, Box 36  
130 King Street West, Suite 3400  
Toronto, Ontario  
M5X 1K6

**Attention: Diane Winters**

Tel: (416) 973-3172

Fax: (416) 973-0810

**AND TO: LANG MICHENER LLP**

BCE Place, P.O. Box 747  
Suite 2500, 181 Bay Street  
Toronto, Ontario  
M5J 2T7

**Attention: Les Wittlin**

Tel: (416) 360-8600

Fax: (416) 365-1719

Solicitors for Mintz & Partners Limited

**AND TO: Ginette Harquail**

c/o Paragon Health Care Inc.  
3595 Keele Street  
Toronto, Ontario  
M3J 1M7

**AND TO: MINISTRY OF HEALTH AND LONG TERM CARE**

56 Wellsley Street West, 9<sup>th</sup> Floor  
Toronto, Ontario  
M7A 2J9

**Attention: Tim Burns, Director, Long Term Care Homes Branch**

**AND TO: CAPPELLACCI DAROZA LLP**

462 Wellington Street West, Suite 500  
Toronto, Ontario  
M5V 1E3

**Attention: Ernest J. Cappellacci**

Tel: 416-955-9500

Fax: 416-955-9503

Solicitors for Diversicare



**APPENDIX "B"****LEGAL DESCRIPTIONS OF PROPERTY**

Part Lot 17, Concession 3, W.Y.S., Township of York, designated as Part 1, Plan 64R-9597, City of Toronto, Property Identifier Number 10181-0039(LT), municipally known as 3595 Keele Street, Toronto, Ontario.

Lots 814-819 and 857-861, TP Plan 94 Grantham, City of St. Catharines, Property Identifier Number 46172-0268(LT) municipally known as 103-111 Pelham Road, St. Catharines, Ontario and Lots 738-739, TP Plan 94, Grantham, City of St. Catharines, Property Identifier Number 46172-0309(LT), municipally known as 34-36 Whitworth Street, St. Catharines, Ontario.

9

## APPENDIX "C"

## RECEIVER CERTIFICATE

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that [RECEIVER'S NAME], the interim receiver and receiver and manager (the "Receiver") of all of the assets, undertakings and properties of [DEBTOR'S NAME] appointed by Order of the Ontario Superior Court of Justice (the "Court") dated the \_\_\_\_ day of \_\_\_\_\_, 2006 (the "Order") made in an action (the "Action") having Court file number 06-CL-\_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$\_\_\_\_\_, being part of the total principal sum of \$\_\_\_\_\_ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the \_\_\_\_\_ day of each month] after the date hereof at a notional rate per annum equal to the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of Bank of \_\_\_\_\_ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration, expenses and liabilities.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

d

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_\_ day of \_\_\_\_\_, 2006.

[RECEIVER'S NAME], solely in its capacity as  
Receiver of the Property (as defined in the  
Order), and not in its personal capacity

Per: \_\_\_\_\_

Name:

Title:

TOR\_LAW\6220395\1

Court File No.: 06-CL-6233

**BETWEEN:**

**PEOPLES TRUST COMPANY**  
Applicant

- AND -

**PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED**  
Respondents

**APPLICATION UNDER section 47 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, and under section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

PROCEEDING COMMENCED AT TORONTO

**ORDER**

**GOWLING LAFLEUR HENDERSON LLP**  
Barristers and Solicitors  
Suite 1600, 1 First Canadian Place  
100 King Street West  
TORONTO, Ontario  
M5X 1G5

**Massimo C. Starnino (LSUC #41048G)**  
Tel: (416) 862-3630  
Fax: (416) 863-3630

Solicitors for Peoples Trust Company

Court File No. 06-CL-6233

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE ) WEDNESDAY, THE 2<sup>nd</sup> DAY  
MADAM JUSTICE )  
KARAKATSANIS ) OF JULY, 2008

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

BETWEEN:

PEOPLES TRUST COMPANY

Applicant

- and -

PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED

Respondents

ORDER

**THIS MOTION** made by Mintz & Partners Limited, 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.

Q

- 2 -

\* and Mr. Gerald Harquail, who

**ON READING** the Notice of Motion, the Fourth Report of the Receiver and the Affidavits of Harry Vanderlugt sworn June 27, 2008, Hartley M. Bricks sworn June 26, 2008 and Leslie Wittlin, sworn June 24, 2008, filed, and upon hearing the submissions of counsel for the Receiver, no other parties attending.

consents  
to  
the  
relief  
sought

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 Fourth Report be and the same is hereby accepted and approved.

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

4. **THIS COURT ORDERS** that the Statements of Receipts and Disbursements of the Receiver as at June 23, 2008 in respect of Paragon, Paragon Ontario and 1508669 as set out in Appendices "G", "H" and "I" to the Fourth 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 ending May 31, 2008 in the amount of \$195,424.45 in respect of Paragon and \$65,573.14 in respect of 1508669, as set out in the Affidavit of Hartley M. Bricks dated June 26, 2008, 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 \$87,386.47 in respect of Paragon and \$48,895.78 in respect of 1508669, as set out in the Affidavit of Harry

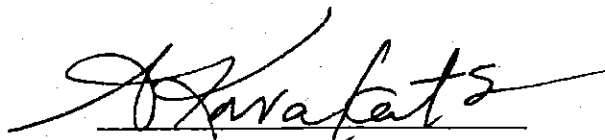
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Vanderlugt dated June 27, 2008, filed, be and the same are hereby approved for the period January 1, 2007 to May 22, 2008 .

7. **THIS COURT ORDERS** that the fees and disbursements of Lang Michener LLP, independent counsel to the Receiver, in the amount of \$6,880.15, as set out in the Affidavit of Leslie Wittlin dated June 24, 2008, filed, be and the same are hereby approved for the periods from March 26, 2007 to April 4, 2007 and from August 10, 2007 to August 21, 2007.

8. **THIS COURT ORDERS** that the Receiver is authorized and hereby directed to distribute to Peoples Trust Company as partial payment on account of its secured claims against 1508669, the total sum of \$800,000 at this time.

9. **THIS COURT ORDERS** that the Initial Order be amended by deleting all references to "Mintz & Partners Limited" occurring throughout the Initial Order and substituting "Deloitte & Touche Inc."



TOR\_LAW\6900215\1

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

JUL 02 2008

PER/PAR: 



<p><b>Between:</b>  <b>PEOPLES TRUST COMPANY</b>  Applicant</p>		<p><b>Court File No. 06-CL-6233</b></p>	
<p><b>AND PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED</b>  Respondent</p>		<p><b>ONTARIO</b>  <b>SUPERIOR COURT OF JUSTICE</b>  <b>(COMMERCIAL LIST)</b>    <b>(PROCEEDING COMMENCED AT TORONTO)</b></p>	
		<p><b>ORDER</b></p>	
		<p><b>GOWLING LAFLEUR HENDERSON LLP</b>  Barristers and Solicitors  1 First Canadian Place  100 King Street West, Suite 1600  Toronto ON M5X 1G5</p> <p><b>Clifton P. Prophet (LSUC# 34845K)</b>  Tel: (416) 862-3509  Fax: (416) 863-3509</p> <p>Solicitors for Mintz &amp; Partners Limited in its capacity  as Interim Receiver and Receiver and Manger of the  current and future assets, undertakings and  properties of Paragon Health Care Inc., Paragon  Health Care (Ontario) Inc. and 1508669 Ontario  Limited</p>	



**SCHEDULE 2**  
**CONTRACTS [SECTION 1.1]**

Attached

9

**SCHEDULE 2  
CONTRACTS**

Supplier/Contractor	Contracting Party	Type of Contract	Date of Contract	Term	Pricing
1 A Supreme Nursing and Homecare	West Park Health Centre	Service Agreement for temporary staffing	26-Nov-09	1 year, renewable on written agreement	RN - \$70/hr; RPN - \$60/hr; PSW - \$30/hr
2 Arjo Canada Inc.	West Park Health Centre	Service Agreement for ceiling lift maintenance	01-May-06		BHM V4 - \$174/year; Ergolift - \$349/year; Ergolift w scale - \$384/year
3 Barbara McInnis Robichaud	West Park Health Centre	Hairdressing services	13-Jul-09	1 year	
4 Care-Med Health Systems	Diversicare Management Services	Floor and bath lift inspection program	26-Nov-06	No term in contract	\$125/year per lift
5 Canadian Institute of Health Information	West Park Health Centre	Service Agreement to use CRCS submission and statistical reports	09-Sep-08	Upon termination by CIHI or client	None noted
5 On Premise Laundry Systems, a division of Coinmatic Canada Inc.	1508669 Ontario Limited	Laundry equipment rental	01-Mar-09	28-Feb-14	\$310/month
7 Distinct Health Care Services Inc.	West Park Health Centre	Service agreement for temporary nursing staff	06-Oct-10	upon 30 days notice	RN - \$55/hr; RPN - \$45/hr; PSW - \$26/hr
3 Dr. Kanugo	West Park Health Centre	Attending Physician Agreement	05-Feb-07	1 year, can terminate on 90 days notice	Not listed
9 Dr. Kanugo	West Park Health Centre	Medical Director Agreement	05-Feb-07	3 years	\$0.30/resident day
9 E.O.E. Toronto	West Park Health Centre	Photocopier lease and maintenance agreements	06-Dec-06	5.5 years	\$606/month; \$0.013 per copy
1 Hamilton Niagara Haldimand Brant Local Health Integration Network	1508669 Ontario Limited in respect of West Park Health Centre	Service Accountability Agreement	effective July 1, 2010		
2 Iron Mountain Canada Corporation	West Park Health Centre	Secure Shredding Services Agreement	06-Jun-08	automatically renews. Can terminate on 30 days notice	\$57.48 minimum per service visit
3 J&S Heating and Air Conditioning	West Park Health Centre	Mechanical Preventative Maintenance agreement	01-Jul-07	30-Jun-08	\$368.75/quarter
4 Kelly's Dig Landscaping	West Park Health Centre	Snow removal and salting	01-Nov-10	30-May-11	\$7,980 for forty snowfalls

**SCHEDULE 2  
CONTRACTS**

Supplier/Contractor	Contracting Party	Type of Contract	Date of Contract	Term	Pricing
5 Kone Inc.	West Park Health Centre	Complete elevator maintenance agreement	01-Dec-99	5 year period with 5 year renewals, 90 day notice of termination	\$168 per month
6 Kone Inc.	759692 Ontario Inc. by West Park Health Centre	Complete elevator maintenance agreement	01-Jun-99	5 year period with 5 year renewals, 90 day notice of termination	\$210/month
7 Life Labs LP, by its general partner Life Labs Inc.	West Park Health Centre	Long Term Care Service Agreement	01-Jun-10	6/1/2011, 120 days notice to extend term	\$50 per MLPT per visit plus \$5 for the second and each additional patient; unschedule visit \$75 per visit
8 Life Labs LP, by its general partner Life Labs Inc.	West Park Health Centre	Service level Commitment	01-Nov-08	01-Nov-11	\$50 per MLPT per visit plus \$5 for the second and each additional patient; unschedule visit \$75 per visit
9 Med E-Care Healthcare Solutions Inc.	West Park Long Term Care Facility	Software License and Service Agreement	20-Aug-07	2 year term with 1 year renewals, termination on 90 days notice	Annual Support Fees (for initial term) e-plan, e-accident - \$4,110.75 e-CCRS - \$2,000.00 webhosting - \$1,590.00 infection management - \$716 fees increase at 2.5% per year after initial term
0 Medical Pharmacy o/b/b Medical Pharmacies Group Inc.	West Park Health Centre	Pharmacy Service Agreement	14-Dec-07	1 year	
1 PointerWare Innovations	West Park Health Centre	Service Agreement for "PointerWare for Assisted Living Facilities" computer software	01-Jan-10		\$195.00 per quarter
2 Seasons Care Inc.	West Park Health Centre	Registered Dietitian Services Agreement	01-Jul-10	1 year	\$55/hr at 12 hours week
3 Stericycle, Inc.	West Park Health Centre	Service Agreement for pharmaceutical and biological waste collection and removal	13-Oct-09	3 years	Monthly Clinical Services - \$66/month Additional Waste Container disposal - \$75 per container 4.5 L Sharps container - \$7.25 each Billed through OHIP
4 STL Diagnostic Imaging Inc.	West Park Health Centre	Service Level Commitment Agreement for mobile x-rays and ultrasound	21-Nov-08	2 years	
5 Waste Management	West Park Health Centre	Customer Service Agreement for waste pickup	06-Nov-06	3 years	

SCHEDULE 2  
CONTRACTS

Supplier/Contractor	Contracting Party	Type of Contract	Date of Contract	Term	Pricing
Waterphoria Inc.	West Park Health Centre	Point of use water centre rental agreement	28-Jan-11		\$812.92 annually
We Care Home Health Services	West Park Health Centre	Client Services Agreement for foot services	26-Jan-10	terminate on 10 days notice	\$25 per visit

**SCHEDULE 3**  
**LICENCES [SECTION 1.1]**

See attached.



Ministry of Health  
and Long-Term Care  
Ministère de la Santé  
et des Soins de longue durée

## Long-Term Care Home Licence

*Long-Term Care Homes Act, 2007*

## Permis autorisant un foyer de soins de longue durée

*Loi de 2007 sur les foyers de soins de longue durée*

This licence is issued under section 99 of the *Long-Term Care Homes Act, 2007*.  
Le présent permis est délivré aux termes de l'article 99 de la *Loi de 2007 sur les foyers de soins de longue durée*.

**1508669 Ontario Limited**

(Name of Licensee / Nom du titulaire du permis)

Long-Term Care Home:  
Foyer de soins de longue durée :

**West Park Health Centre**

(Name of Home / Nom du foyer)

**103 Pelham Road, St Catharines, Ontario**

(Address of Home / Adresse du foyer)

Long-Term Care Home Licence Number:  
Numéro du permis :

**1500-L01**

Effective Date:  
Date d'entrée en vigueur du permis :

**2010-07-01**

Expiry Date:  
Date d'expiration du permis :

**2025-06-30**

The number of beds allowed under this licence is:  
Nombre de lits autorisé en vertu du permis :

**101**

This licence is subject to the condition(s) in Appendix A.  
Le présent permis est assorti des conditions énoncées à l'annexe A.

(Director under the *Long-Term Care Homes Act, 2007* /

Directeur en vertu de la *Loi de 2007 sur les foyers de soins de longue durée*)



Ministry of Health  
and Long-Term Care

Ministère de la Santé  
et des Soins de longue durée

# **Long-Term Care Home Licence**

*Long-Term Care Homes Act, 2007*

## **Permis autorisant un foyer de soins de longue durée**

*Loi de 2007 sur les foyers de soins de longue durée*

### **Appendix A Annexe A**

Long-Term Care Home Licence Number:

Numéro du permis du foyer de soins de longue durée : 1500-L01

The licence noted above is subject to the following condition(s):

Le permis mentionné ci-dessus est soumis aux conditions suivantes :

1.

**SCHEDULE 4**  
**OWNED REAL PROPERTY [SECTION 1.1]**

**Legal Description**

Lots 814, 815, 816, 817, 818, & 819, Township Plan 94 and Lots 857, 858, 859, 860 & 861, Township Plan 94, St. Catharines, Property Identifier Number 46172-0268(LT); Lots 738 and 739, Township Plan 94, St. Catharines, Property Identifier Number 46172-0309(LT)

City of St. Catharines (formerly Township of Grantham), Regional Municipality of Niagara

**Municipal Address**

103-111 Pelham Road, St. Catharines, Ontario &  
34-36 Witworth Street, St. Catharines, Ontario

**Permitted Encumbrances**

1. Agreements re Site Plan registered as Instrument Numbers RO200232 and RO321002.
2. Site Plan Agreement registered as Instrument Number RO416442 as amended by Agreements registered as Instrument Numbers RO424442, RO460394 and RO502090.
3. By-law registered as Instrument Number RO457591.
4. Zoning Regulations notice of which registered as Instrument Number RO493091.



**SCHEDULE 5**  
**LEASES RENT ROLL [SECTION 1.1]**

See attached

*aw*

HCH  
 RUN: 08 Feb 2011 15:51:51  
 ACCT'NG DATE : 31.01.2011

1508669 ONTARIO LIMITED O/A WEST PARK HEALTH CENTRE  
 ACCOUNTS RECEIVABLE SYSTEM  
 ACCOUNTS RECEIVABLE REVENUE JOURNAL FOR MONTH OF JAN 2011

PAGE : 1  
 ARNREVJOURN

FACILITY : WEST PARK HEALTH CENTRE

RESIDENT ID AND NAME	COPAY		PROV		SEMI	PRIVATE	BEDH/SHORTS SERVICES		TOTAL
	SUBSIDY	DAYS	PLAN	CO-PAY			EX SEMI	ETC/INT	
353006003	300.83	31	3071.17	1318.25	.00	.00	.00	15.00	4705.25
353006141	115.92	31	3071.17	1503.16	.00	.00	.00	56.00	4746.25
353007010	133.65	31	3071.17	1485.43	.00	.00	.00	.00	4690.25
353008015	.00	31	3071.17	1619.08	243.33	.00	.00	40.00	4973.58
353008014	.00	31	3071.17	1619.08	243.33	.00	.00	25.00	4958.58
353010014	.00	31	3071.17	1619.08	243.33	.00	.00	.00	4933.58
353006006	286.50	31	3071.17	1332.58	.00	.00	.00	75.00	4765.25
353010035	.00	31	3071.17	1619.08	.00	.00	.00	40.00	4730.25
353010030	565.75	31	3071.17	1053.33	.00	.00	.00	.00	4690.25
353010032	.00	31	3071.17	1619.08	.00	.00	.00	39.51	4729.76
353010031	2218.05	31	3071.17	598.97	.00	.00	.00	136.94	4827.19
353006014	.00	0	.00	.00	.00	.00	.00	24.47	24.47
353010001	44.20	31	3071.17	1574.88	.00	.00	.00	.00	4690.25
353007005	.00	31	3071.17	1619.08	243.33	.00	.00	25.00	4958.58
353008037	.00	31	3071.17	1619.08	243.33	.00	.00	.00	4933.58
353010025	.00	13	1312.61	691.99	.00	.00	.00	25.00	2029.60
353006105	168.75	31	3071.17	1450.33	.00	.00	.00	25.00	4715.25
353006142	.00	31	3071.17	1619.08	.00	.00	.00	40.00	4730.25
353010038	443.66	31	3071.17	1175.42	.00	.00	.00	15.00	4705.25
353010028	369.76	16	1615.52	481.92	.00	.00	.00	.00	2467.20
353010036	301.16	31	3071.17	1317.92	.00	.00	.00	.00	4690.25
353007007	.00	31	3071.17	1619.08	.00	547.50	.00	100.00	5337.75
353007051	.00	31	3071.17	1619.08	.00	.00	.00	40.00	4730.25
353011003	.00	12	1211.64	638.76	.00	.00	.00	.00	1850.40
353010018	.00	31	3071.17	1619.08	.00	547.50	.00	15.00	5252.75
353009005	.00	31	3071.17	1619.08	.00	547.50	.00	25.00	5262.75
353007023	15.16	31	3071.17	1603.92	.00	.00	.00	.00	4690.25
353011001	56.68	26	2625.22	1327.30	.00	.00	.00	.00	4009.20
353010017	.00	31	3071.17	1619.08	.00	.00	.00	15.00	4705.25
353006019	.00	31	3071.17	1619.08	243.33	.00	.00	25.00	4958.58
353010011	293.94	18	1817.46	664.20	.00	.00	.00	25.00	2800.60
353010009	454.41	31	3071.17	1264.67	.00	.00	.00	.00	4690.25
353007042	.00	31	3071.17	1619.08	.00	547.50	.00	.00	5237.75
353009016	.00	31	3071.17	1619.08	243.33	.00	.00	.00	4933.58
353007047	304.66	31	3071.17	1314.42	.00	.00	.00	50.00	4740.25
353010042	127.16	31	3071.17	1491.92	.00	.00	.00	15.00	4705.25
353010023	479.33	31	3071.17	1139.75	.00	.00	.00	25.00	4715.25
353010019	418.26	31	3071.17	1200.82	.00	.00	.00	.00	4690.25
353010026	.00	31	3071.17	1619.08	243.33	.00	.00	41.00	4974.58
353010022	114.66	31	3071.17	1504.42	.00	.00	.00	.00	4690.25
353008012	452.16	31	3071.17	1166.92	.00	.00	.00	15.00	4705.25
353008010	126.00	31	3071.17	1493.08	.00	.00	.00	.00	4690.25
353006133	204.58	31	3071.17	1414.50	.00	.00	.00	15.00	4705.25
353010039	565.75	31	3071.17	1053.33	.00	.00	.00	25.00	4715.25
353007029	227.33	31	3071.17	1391.75	.00	.00	.00	.00	4690.25
353008001	703.08	31	3071.17	916.00	.00	.00	.00	25.00	4715.25
353007028	.00	31	3071.17	1619.08	.00	547.50	.00	40.00	5277.75
353008002	.00	31	3071.17	1619.08	243.33	.00	.00	15.00	4948.58
353010008	.00	24	2423.28	1277.52	.00	432.00	.00	24.27	4108.53

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FACILITY : WEST PARK HEALTH CENTRE

RESIDENT ID AND NAME	COPAY SUBSIDY	DAYS	PROV PLAN	CO-PAY	SEMI	PRIVATE	BEDH/SHORTS EX SEMI	SERVICES ETC/INT	TOTAL
353009031	.00	31	3071.17	1619.08	.00	.00	.00	15.00	4705.25
353010041	.00	31	3071.17	1619.08	.00	.00	.00	.00	4690.25
353010004	209.13	31	3071.17	1409.95	.00	.00	.00	.00	4690.25
353011002	409.20	22	2221.34	761.86	.00	.00	.00	.00	3392.40
353008017	458.41	31	3071.17	1160.67	.00	.00	.00	.00	4690.25
353009029	565.75	31	3071.17	1053.33	.00	.00	.00	.00	4690.25
353009018	.00	31	3071.17	1619.08	.00	.00	.00	25.00	4715.25
353007043	703.08	31	3071.17	916.00	.00	.00	.00	.00	4690.25
353010002	475.41	31	3071.17	1143.67	.00	.00	.00	25.00	4715.25
3530XXMOH	.00	0	.00	.00	.00	.00	.00	10914.00	10914.00
353008035	145.41	31	3071.17	1473.67	.00	.00	.00	.00	4690.25
353007035	316.25	31	3071.17	1302.83	.00	.00	.00	15.00	4705.25
353006061	441.00	31	3071.17	1178.08	.00	.00	.00	86.00	4776.25
353010033	411.66	31	3071.17	1207.42	.00	.00	.00	25.00	4715.25
353009012	565.75	31	3071.17	1053.33	.00	.00	.00	57.03	4747.28
353006063	489.41	31	3071.17	1129.67	.00	.00	.00	.00	4690.25
353010020	496.66	31	3071.17	1122.42	.00	.00	.00	15.00	4705.25
353006104	.00	31	3071.17	1619.08	.00	547.50	.00	15.00	5252.75
353010010	89.49	31	3071.17	1529.59	.00	.00	.00	25.00	4715.25
353009007	565.75	31	3071.17	1053.33	.00	.00	.00	50.00	4740.25
353006069	565.75	31	3071.17	1053.33	.00	.00	.00	.00	4690.25
353009006	216.91	31	3071.17	1402.17	.00	.00	.00	15.00	4705.25
353006114	137.94	19	1918.43	871.43	.00	.00	.00	50.00	2979.80
353010040	403.41	31	3071.17	1215.67	.00	.00	.00	66.00	4756.25
353007009	.00	31	3071.17	1619.08	.00	.00	.00	.00	4690.25
353006073	.00	31	3071.17	1619.08	.00	547.50	.00	.00	5237.75
353007037	.00	10	1009.70	532.30	.00	.00	.00	.00	1542.00
353011004	.00	6	605.82	319.38	.00	108.00	.00	.00	1033.20
353008028	296.47	31	3071.17	1322.61	.00	.00	.00	14690.33-	10000.08-
353006079	.00	31	3071.17	1619.08	.00	547.50	.00	.00	5237.75
353006081	.00	0	.00	.00	.00	.00	.00	26.54	26.54
353006082	494.08	31	3071.17	1125.00	.00	.00	.00	40.00	4730.25
353008039	.00	31	3071.17	1619.08	.00	.00	.00	15.00	4705.25
353009014	26.00	31	3071.17	1593.08	.00	.00	.00	.00	4690.25
353010034	279.91	31	3071.17	1339.17	.00	.00	.00	.00	4690.25
353006085	496.66	31	3071.17	1122.42	.00	.00	.00	15.00	4705.25
353008019	454.25	31	3071.17	1164.83	.00	.00	.00	25.00	4715.25
353009010	.00	16	1615.52	851.68	.00	.00	.00	.00	2467.20
353006088	.00	31	3071.17	1619.08	.00	.00	.00	40.00	4730.25
353007027	565.75	31	3071.17	1053.33	.00	.00	.00	40.00	4730.25
353008009	.00	31	3071.17	1619.08	.00	.00	.00	25.00	4715.25
353006089	420.49	31	3071.17	1198.59	.00	.00	.00	.00	4690.25
353008041	226.16	31	3071.17	1392.92	.00	.00	.00	.00	4690.25
353009019	367.58	31	3071.17	1251.50	.00	.00	.00	.00	4690.25
353006110	252.25	31	3071.17	1366.83	.00	.00	.00	75.00	4765.25
353008018	.00	19	1918.43	1011.37	152.00	.00	.00	15.00	3096.80
353008042	496.66	31	3071.17	1122.42	.00	.00	.00	25.00	4715.25
** SUB TOTAL									
	21534.02	2712	269059.74	120310.69	2341.97	4920.00	.00	1882.11-	416284.31

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RESIDENT ID AND NAME	COPAY SUBSIDY DAYS	PROV PLAN	CO-PAY	SEMI	PRIVATE	BEDH/SHORTS EX SEMI	SERVICES ETC/INT	TOTAL
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SUMMARY :-

	NUMBER OF PEOPLE	RESIDENT DAYS
PRIVATE FULL MONTH	8	248
PRIVATE PARTIAL MONTH	2	30
SEMI PRIVATE FULL MONTH	9	279
SEMI PRIVATE PARTIAL MONTH	1	19
WARD FULL MONTH	64	1,984
WARD PARTIAL MONTH	9	152
<b>TOTAL</b>		<b>2,712</b>

RESIDENTS ADMITTED OR DISCHARGED DURING THE MONTH :-

RESID ID	LAST NAME	FIRST NAME	ADMIT DATE	DISCH DATE
353010025	[REDACTED]	[REDACTED]	21.08.2010	13.01.2011
353010028	[REDACTED]	[REDACTED]	20.09.2010	16.01.2011
353011003	[REDACTED]	[REDACTED]	20.01.2011	
353011001	[REDACTED]	[REDACTED]	06.01.2011	
353010011	[REDACTED]	[REDACTED]	08.06.2010	18.01.2011
353010008	[REDACTED]	[REDACTED]	26.04.2010	24.01.2011
353011002	[REDACTED]	[REDACTED]	10.01.2011	
353006114	[REDACTED]	[REDACTED]	25.05.2006	19.01.2011
353007037	[REDACTED]	[REDACTED]	27.09.2007	10.01.2011
353011004	[REDACTED]	[REDACTED]	26.01.2011	
353009010	[REDACTED]	[REDACTED]	22.05.2009	16.01.2011
353008018	[REDACTED]	[REDACTED]	26.05.2008	19.01.2011

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1508669 ONTARIO LIMITED O/A WEST PARK HEALTH CENTRE  
ACCOUNTS RECEIVABLE SYSTEM  
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RESIDENT ID AND NAME	COPAY SUBSIDY	DAYS	PROV PLAN	CO-PAY	SEMI	PRIVATE	BEDR/SHORTS EX SEMI	SERVICES ETC/INT	TOTAL
*** GRAND TOTAL	21534.02		269059.74		2341.97		.00		416284.31

\*\*\*\* END OF REPORT \*\*\*\*



**EXHIBIT A****FORM OF APPROVAL AND VESTING ORDER  
[SECTION 4.3]****Approval and Vesting Order on Standard Terms**

Court File No. 06-CL-6233

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST****THE HONOURABLE ●****JUSTICE ●****●, THE ● DAY****OF ●, 20●****BETWEEN:****PEOPLES TRUST COMPANY**

Applicant

- and -

**PARAGON HEALTH CARE INC. AND 1508669 ONTARIO LIMITED**

Respondents

**APPROVAL AND VESTING ORDER**

THIS MOTION, made by Deloitte & Touche Inc. in its capacity as the Court-appointed interim receiver and receiver and manager (the "Receiver") of the current and future assets, undertakings and properties of 1508669 Ontario Limited (the "Debtor") for an order approving the sale transaction (the "Transaction") contemplated by an agreement of purchase and sale (the "Sale Agreement") between the Receiver and ● (the "Purchaser") made as of ●, 20● and appended to the Report of the Receiver dated ●, 20● (the "Report"), and vesting in the

Purchaser the Debtor's right, title and interest in and to the assets described in the Sale Agreement (the "**Purchased Assets**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Report and on hearing the submissions of counsel for the Receiver, ● <Insert names of other parties appearing.> , no one appearing for any other person on the service list, although properly served as appears from the affidavit of ● <Insert name.> sworn ●, 20 ● filed:

1. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and that the Sale Agreement is commercially reasonable and in the best interests of the Debtor and its stakeholders. The execution of the Sale Agreement by the Receiver is hereby authorized and approved, and the Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. THIS COURT ORDERS AND DECLARES that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "**Receiver's Certificate**"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreement shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Cumming dated January 23, 2006; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on Schedule C hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule D) and, for greater certainty, this Court orders that all of

the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

3. THIS COURT ORDERS that upon the registration in the Land Registry Office for the Registry Division of Toronto of a Transfer/Deed of Land in the form prescribed by the *Land Registration Reform Act* (Ontario) duly executed by the Receiver, the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in Schedule B hereto (the "**Real Property**") in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule C hereto.

4. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. THIS COURT ORDERS AND DIRECTS the Receiver to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof.

6. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Debtor's records pertaining to the Debtor's past and current employees, including personal information of the Assumed Employees, as defined in the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.

7. THIS COURT ORDERS that, notwithstanding:

(a) the pendency of these proceedings;



- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

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SCHEDULE A  
FORM OF RECEIVER'S CERTIFICATE

Court File No. ●

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

BETWEEN:

●  
Plaintiff

●  
Defendant

RECEIVER'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice Cumming of the Ontario Superior Court of Justice (the "**Court**") dated January 23, 2006, Mintz & Partners Limited, now Deloitte & Touche Inc., was appointed as the interim receiver and receiver and manager (the "**Receiver**") of the current and future assets, undertakings and properties of 1508669 Ontario Limited (the "**Debtor**")

B. Pursuant to an Order of the Court dated ●, the Court approved the agreement of purchase and sale made as of ● <Insert date of Agreement.> (the "**Sale Agreement**") between the Receiver and ● (the "**Purchaser**") and provided for the vesting in the Purchaser of the Debtor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in section 4 of the Sale Agreement have been

satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in section 4 of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver.

This Certificate was delivered by the Receiver to the Purchaser at ● <Insert time.> on ● <Insert date.>.

**DELOITTE & TOUCHE INC.**, solely in its capacity as court appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

Per: \_\_\_\_\_

Name:

Title:

**SCHEDULE B****SUBJECT REAL PROPERTY**

103-111 Pelham Road, St. Catharines, Ontario &  
34-36 Witworth Street, St. Catharines, Ontario

Lots 814, 815, 816, 817, 818, & 819, Township Plan 94 and Lots 857, 858, 859, 860 & 861,  
Township Plan 94, St. Catharines, Property Identifier Number 46172-0268(LT); Lots 738 and  
739, Township Plan 94, St. Catharines, Property Identifier Number 46172-0309(LT)

City of St. Catharines (formerly Township of Grantham), Regional Municipality of Niagara



**SCHEDULE C****CLAIMS TO BE DELETED AND EXPUNGED FROM TITLE TO REAL PROPERTY**

1. 1508669 Ontario Limited under transfer 759592 Ontario Inc. instrument number RO699418 and application for change of name of owner instrument number NR20355.
2. West Park Holdings Ltd. under Judgment for Foreclosure registered as Instrument Number NR230588.
3. Peoples Trust Company under
  - (i) charge instrument number RO699419 as assigned by transfer of charge instrument number RO768790 and amended by agreement instrument number RO768792;
  - (ii) general assignment of rents instrument number RO699420 as assigned by instrument number RO768791.
4. HMQ-Minister of National Revenue, Canada Customs and Revenue Agency, Toronto North Tax Services office, 5001 Yonge Street, North York, ON M2N 6R9 under execution number 05-0000237 for \$67,775.07.
5. Mintz & Partners Limited in its capacity as interim receiver and receiver and manager of 1508669 Ontario Limited under Instrument Number NR92230.

**SCHEDULE D****PERMITTED ENCUMBRANCES, EASEMENTS AND RESTRICTIVE COVENANTS  
RELATED TO THE REAL PROPERTY**

(unaffected by the Vesting Order)

1. Agreements re Site Plan registered as Instrument Numbers RO200232 and RO321002.
2. Site Plan Agreement registered as Instrument Number RO416442 as amended by Agreements registered as Instrument Numbers RO424442, RO460394 and RO502090.
3. By-law registered as Instrument Number RO457591.
4. Zoning Regulations notice of which registered as Instrument Number RO493091.



**EXHIBIT B****FORM OF BILL OF SALE AND ASSIGNMENT  
[SECTION 5.2]****BILL OF SALE AND ASSIGNMENT**

**THIS AGREEMENT** dated as of ●, 2011

**B E T W E E N:**

**DELOITTE & TOUCHE INC.**, solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

(the "**Receiver**")

- and -

●, a corporation existing under the laws of [PROVINCE]

(the "**Purchaser**")

**CONTEXT:**

**A.** By an order of the Honourable Justice Cumming of the Ontario Superior Court of Justice (Commercial List) dated January 23, 2006 (the "**Appointment Order**") Mintz & Partners Limited was appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited (the "**Debtor**") effective 9:00 am on January 24, 2006 pursuant to Section 47 of the *Bankruptcy and Insolvency Act* (Canada) and Section 101 of the *Courts of Justice Act* (Ontario). By Order of the Court dated July 2, 2008, the name of the Receiver was changed to Deloitte & Touche Inc.

**B.** The Purchaser and the Receiver have entered into an Agreement of Purchase and Sale made as of ●, 2011 (the "**Agreement**"), pursuant to which the Receiver has agreed to sell the Assets and assign the Assumed Contracts to the Purchaser and the Purchaser has agreed to purchase the rights, benefits and interests of the Debtor, if any, in and to the Assets and the Assumed Contracts and to assume the Assumed Obligations.

**C.** Capitalized terms used herein not otherwise defined herein will have the meanings set out in the Agreement.

Q

**FOR VALUE RECEIVED**, the parties agree as follows:

**1. WARRANTY**

**(a) Warranty**

The Purchaser and the Receiver warrant each to the other that recital B of this Indenture is true in substance and in fact.

**2. SALE OF ASSETS**

**(a) Sale of Assets**

The Receiver, exercising the powers granted pursuant to the Appointment Order and the Approval and Vesting Order, hereby sells, transfers, conveys, assigns and sets over to the Purchaser, pursuant to the terms of the Agreement, all of the rights, benefits and interests of the Debtor, if any, in and to the Assets as described in the Agreement.

**(b) Release**

The Receiver hereby remises, releases and forever discharges to the Purchaser all of its interests, claims and demands whatsoever to and under the Assets.

**3. MISCELLANEOUS**

**(a) Benefit of Agreement**

This Indenture and all of its provisions will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.

**(b) Governing Law**

This Indenture will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

**(c) Counterparts**

This Indenture may be executed in any number of counterparts, each of which will be deemed to be an original and all of which will constitute one and the same agreement. Transmission by facsimile of an executed counterpart of this Agreement will be deemed to constitute due and sufficient delivery of such counterpart.

9



The parties have executed this Indenture.

**DELOITTE & TOUCHE INC.**, solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

Per \_\_\_\_\_  
Name:  
Title:

●  
Per \_\_\_\_\_  
Name:  
Title:

Q



**AMENDING AGREEMENT NO. 1**

**THIS AMENDING AGREEMENT** is dated as of May 24, 2011

**B E T W E E N :**

**DELOITTE & TOUCHE INC.**, solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

(the "**Vendor**")

- and -

**SAC 4 INC.**, a corporation existing under the laws of Ontario

(the "**Purchaser**")

**CONTEXT:**

- A.** The parties have made an Agreement of Purchase and Sale of the Assets dated April 1, 2011 ("**Purchase Agreement**").
- B.** The parties wish to amend the terms of the Purchase Agreement which are referred to below.
- C.** The words and phrases beginning with capitals have the meanings assigned in the Purchase Agreement unless the context otherwise requires.

**FOR GOOD AND VALUABLE CONSIDERATION**, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

- 1. **Section 1.1 Definitions** is amended by deleting

“**Due Diligence Period**” means the period commencing on the Acceptance Date to and including the date which is seventy five (75) days immediately thereafter.”

and substituting therefor

“**Due Diligence Period**” means the period commencing on the Acceptance Date to and including July 15, 2011.”

- 2. **Section 4.3 Mutual Conditions** is amended by:

- (a) deleting in subsection (a) “30 days” and substituting therefor “45 days” and,
- (b) deleting in subsection (c) “November 30, 2011” and substituting therefor “December 31, 2011”.

3. **Section 4.4 Transfer of Licenses** is amended by deleting "45 days" in the second paragraph and substituting therefore "60 days".
4. Except as specifically amended herein, the Purchase Agreement continues in full force and effect.
5. This Agreement may be executed by the parties in counterparts, with the executed counterpart delivered by each party together constituting this Amending Agreement.

Each of the parties has executed and delivered this Agreement, as of the date noted at the beginning of the Agreement.

**DELOITTE & TOUCHE INC.**, solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

Per \_\_\_\_\_

Name: DANIEL WEISZ

Title: SENIOR VICE PRESIDENT

**SAC 4 INC.**

Per \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



## AMENDING AGREEMENT NO. 2

THIS AMENDING AGREEMENT is dated as of July 15, 2011

BETWEEN:

DELOITTE & TOUCHE INC., solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

(the "Vendor")

- and -

SAC 4 INC., a corporation existing under the laws of Ontario

(the "Purchaser")

## CONTEXT:

A. The parties have made an Agreement of Purchase and Sale of the Assets dated April 1, 2011 as amended by an agreement dated May 24, 2011 ("Purchase Agreement").

B. The parties wish to further amend the Purchase Agreement as set out below.

C. The words and phrases beginning with capitals have the meanings assigned in the Purchase Agreement unless the context otherwise requires.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. Section 1.1 Definitions is amended by deleting

"Due Diligence Period" means the period commencing on the Acceptance Date to and including July 15, 2011."

and substituting therefor

"Due Diligence Period" means the period commencing on the Acceptance Date to and including August 12, 2011."

2. Except as specifically amended herein, the Purchase Agreement continues in full force and effect.

3. This Agreement may be executed by the parties in counterparts and delivered by way of pdf email transmission or facsimile, with such counterparts together and such delivery being deemed originals.

- 2 -

Each of the parties has executed and delivered this Agreement, as of the date noted at the beginning of the Agreement.

**DELOITTE & TOUCHE INC.**, solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

Per

Name:

Title: *DAVID WEISS*  
*Senior Vice President***SAC 4 INC.**

Per

Name:

Title: *Robert Ioannidis*  
*Vice-President*





## AMENDING AGREEMENT NO. 3

THIS AMENDING AGREEMENT is dated as of August 12, 2011

BETWEEN:

**DELOITTE & TOUCHE INC.**, solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

(the "Vendor")

- and -

**SAC 4 INC.**, a corporation existing under the laws of Ontario

(the "Purchaser")

## CONTEXT:

A. The parties have made an Agreement of Purchase and Sale of the Assets dated April 1, 2011 as amended by an agreement dated May 24, 2011 and by agreement dated July 15, 2011 ("Purchase Agreement").

B. The parties wish to further amend the Purchase Agreement as set out below.

C. The words and phrases beginning with capitals have the meanings assigned in the Purchase Agreement unless the context otherwise requires.

**FOR GOOD AND VALUABLE CONSIDERATION**, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. **Section 1.1 Definitions** is amended by deleting

"Due Diligence Period" means the period commencing on the Acceptance Date to and including August 12, 2011."

and substituting therefor

"Due Diligence Period" means the period commencing on the Acceptance Date to and including August 19, 2011."

2. Except as specifically amended herein, the Purchase Agreement continues in full force and effect.
3. This Agreement may be executed by the parties in counterparts and delivered by way of pdf email transmission or facsimile, with such counterparts together and such delivery being deemed originals.

*d*

Each of the parties has executed and delivered this Agreement, as of the date noted at the beginning of the Agreement.

DELOITTE & TOUCHE INC., solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

Per

Name:

Title:

SAC 4 INC.

Per

Name:

Title:

Robert Yoanidis

Vice-President



## AMENDING AGREEMENT NO. 4

THIS AMENDING AGREEMENT is dated as of August 19, 2011

BETWEEN:

DELOITTE & TOUCHE INC., solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

(the "Vendor")

- and -

SAC 4 INC., a corporation existing under the laws of Ontario

(the "Purchaser")

CONTEXT:

- A. The parties have made an Agreement of Purchase and Sale of the Assets dated April 1, 2011 as amended by agreements dated May 24, 2011, July 15, 2011 and August 12, 2011 ("Purchase Agreement").
- B. The parties wish to further amend the Purchase Agreement as set out below.
- C. The words and phrases beginning with capitals have the meanings assigned in the Purchase Agreement unless the context otherwise requires.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

- 1. Section 1.1 Definitions is amended by deleting

"Due Diligence Period" means the period commencing on the Acceptance Date to and including August 19, 2011."

and substituting therefor

"Due Diligence Period" means the period commencing on the Acceptance Date to and including August 31, 2011."

- 2. Except as specifically amended herein, the Purchase Agreement continues in full force and effect.
- 3. This Agreement may be executed by the parties in counterparts and delivered by way of pdf email transmission or facsimile, with such counterparts together and such delivery being deemed originals.

- 2 -

Each of the parties has executed and delivered this Agreement, as of the date noted at the beginning of the Agreement.

DELOITTE & TOUCHE INC., solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

Per

Name:

Title:

SAC 4 INC.

Per

Name:

Title:



# **AMENDING AGREEMENT NO. 5**

**THIS AMENDING AGREEMENT** is dated as of August 31, 2011

**BETWEEN:**

**DELOITTE & TOUCHE INC.**, solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

(the "Vendor")

- and -

**SAC 4 INC.**, a corporation existing under the laws of Ontario

(the "Purchaser")

## **CONTEXT:**

A. The parties have made an Agreement of Purchase and Sale of the Assets dated April 1, 2011 as amended by a agreements dated May 24, 2011, July 15, 2011, August 12, 2011 and August 19, 2011 ("**Purchase Agreement**").

B. The parties wish to further amend the Purchase Agreement as set out below.

C. The words and phrases beginning with capitals have the meanings assigned in the Purchase Agreement unless the context otherwise requires.

**FOR GOOD AND VALUABLE CONSIDERATION**, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. **Section 1.1 Definitions** is amended by deleting

"**Due Diligence Period**" means the period commencing on the Acceptance Date to and including August 31, 2011."

and substituting therefor

"**Due Diligence Period**" means the period commencing on the Acceptance Date to and including September 8, 2011."

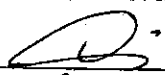
2. Except as specifically amended herein, the Purchase Agreement continues in full force and effect.
3. This Agreement may be executed by the parties in counterparts and delivered by way of pdf email transmission or facsimile, with such counterparts together and such delivery being deemed originals.

- 2 -

Each of the parties has executed and delivered this Agreement, as of the date noted at the beginning of the Agreement.

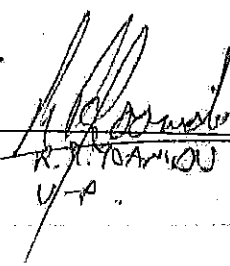
DELOITTE & TOUCHE INC., solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

Per

  
Name: DANIEL WEISS  
Title: SENIOR VICE PRESIDENT

SAC 4 INC.

Per

  
Name: R. R. GAUDIN  
Title: V-P





## AMENDING AGREEMENT NO. 6

THIS AMENDING AGREEMENT is dated as of September 2, 2011

BETWEEN:

DELOITTE & TOUCHE INC., solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

(the "Vendor")

- and -

SAC 4 INC., a corporation existing under the laws of Ontario

(the "Purchaser")

## CONTEXT:

A. The parties have made an Agreement of Purchase and Sale of the Assets dated April 1, 2011 as amended by agreements dated May 24, 2011, July 15, 2011, August 12, 2011, August 19, 2011 and August 31, 2011 ("Purchase Agreement").

B. The parties wish to further amend the Purchase Agreement as set out below.

C. The words and phrases beginning with capitals have the meanings assigned in the Purchase Agreement unless the context otherwise requires.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. Section 1.1 Definitions is amended by deleting:

"Purchase Price" means the sum [REDACTED] in lawful money of Canada.

and substituting therefore:

"Purchase Price" means the sum of [REDACTED] Dollars in lawful money of Canada. *af*

2. Section 1.1 Definitions is amended by deleting paragraph (b) of the definition of "Books and Records" as set out below:

"(b) all personnel records, inspection records and other records, books and accounting records, documents and databases relating to the operation of the Business as are in the possession or under the control of the Vendor."

- 2 -

and substituting therefore as paragraph (b) of the definition of "Books and Records":

"(b) all personnel records, inspection records and other records, books and accounting records, documents and databases relating to the operation of the Business as are in the possession or under the control of the Vendor and Diversicare, but excluding any documents that are proprietary to Diversicare"

3. Section 1.1 Definitions is amended by deleting:

"Closing Date" means the date which is thirty (30) days immediately following the later of written confirmation from the Vendor to the Purchaser that: (a) the Approval and Vesting Order has been granted, and (b) the MOH has approved the purchase by the Purchaser contemplated under this Agreement and the MOH has issued or approved the Purchaser for transfer of the Licence(s) or for issue of licences similar to the Licence(s) to the Purchaser; or such earlier date as agreed by the parties, but in no event will the Closing Date be later than January 30, 2012."

and substituting therefore:

"Closing Date" means the date which is thirty (30) days immediately following the later of written confirmation from the Vendor to the Purchaser that: (a) the Approval and Vesting Order has been granted, and (b) the MOH has approved the purchase by the Purchaser contemplated under this Agreement and the MOH has issued or approved the Purchaser for transfer of the Licence(s) or for issue of licences similar to the Licence(s) to the Purchaser; or such earlier date as agreed by the parties, but in no event will the Closing Date be later than April 15, 2012.

4. Section 1.1 Definitions is amended to include the following definitions:

"Assumed Current Contracts" is defined in Section 2.2 hereof.

"Assumed Future Contracts" is defined in Section 2.2 hereof.

"Building Deficiencies Adjustment" is defined in Section 2.8(h).

"Current Contracts" means those Contracts entered into by Debtor and/or the Vendor up to the date of expiration of the Financing Condition Period.

"Financing Condition Period" means September 30, 2011.

"Future Contracts" means those Contracts entered into by the Vendor between the date that is the day after the date of expiration of the Financing Condition Period and the date on which MOH approval to the License transfer is received.

5. Section 2.2 Assignment and Assumption of Contracts is amended by deleting the following sentence:

- 3 -

"The Purchaser shall have until expiration of the Due Diligence Period to advise the Vendor in writing of those Contracts it wishes to assume on Closing (the "Assumed Contracts"), failing which, the Purchaser shall be deemed to have agreed to assume all Contracts on Closing."

And substituting therefore:

"The Purchaser shall have until expiration of the Financing Condition Period to advise the Vendor in writing of those Current Contracts it wishes to assume on Closing (the "Current Assumed Contracts"), failing which the Purchaser shall be deemed to have agreed to assume all Current Contracts on Closing. With respect to Future Contracts, within 5 days of receipt of approval from the MOH to the License transfer, the Vendor shall provide a list of all Future Contracts and within 10 days of receipt of the list the Purchaser shall provide the Vendor with a list of all Future Contracts it wishes to assume on Closing (the "Assumed Future Contracts"), failing which, the Purchaser shall be deemed to have agreed to assume all Future Contracts on Closing."

6. Section 2.9 Annual Account Reconciliation is added as follows:

"Vendor shall be responsible for preparing and filing the 2011 annual account reconciliation with the MOH."

7. Section 2.15 Employee List is amended by deleting the sentence:

"At least ten (10) Business Days before the Closing Date, the Vendor shall deliver to the Purchaser an up-to-date Employee List of all Employees as at such date certified by an officer of the Vendor verifying to the extent of its knowledge the accuracy of the contents thereof."

And substituting therefore:

"Within 5 days of receipt of approval from MOH to the License transfer, the Vendor shall deliver to the Purchaser an up-to-date Employee List of all Employees as well as a current list of the status of non-active Employees and the status of all waiver of premium filings as at that date certified by an officer of the Vendor verifying to the extent of its knowledge the accuracy of the contents thereof."

8. Section 2.11 (c) Revised List is added to Section 2.11 as follows:

"(c) Within 10 days of receipt of the revised Employee List to be provided following MOH approval, the Purchaser shall advise the Vendor of any changes to the Transferred Employees arising as a result of changes to the Employee List."

9. Section 2.17 Rollover Agreement is added as follows:

"Vendor shall use its best efforts to facilitate an agreement between Vendor, Purchaser and Canadian Union of Public Employees Local 1263 (the "Union") conditional upon Closing for a roll over collective agreement to be entered into

- 3 -

"The Purchaser shall have until expiration of the Due Diligence Period to advise the Vendor in writing of those Contracts it wishes to assume on Closing (the "Assumed Contracts"), failing which, the Purchaser shall be deemed to have agreed to assume all Contracts on Closing."

And substituting therefore:

"The Purchaser shall have until expiration of the Financing Condition Period to advise the Vendor in writing of those Current Contracts it wishes to assume on Closing (the "Current Assumed Contracts"), failing which the Purchaser shall be deemed to have agreed to assume all Current Contracts on Closing. With respect to Future Contracts, within 5 days of receipt of approval from the MOH to the License transfer, the Vendor shall provide a list of all Future Contracts and within 10 days of receipt of the list the Purchaser shall provide the Vendor with a list of all Future Contracts it wishes to assume on Closing (the "Assumed Future Contracts"), failing which, the Purchaser shall be deemed to have agreed to assume all Future Contracts on Closing."

6. **Section 2.9 Annual Account Reconciliation** is added as follows:

"Vendor shall be responsible for preparing and filing the 2011 annual account reconciliation with the MOH."

7. **Section 2.15 Employee List** is amended by deleting the sentence:

"At least ten (10) Business Days before the Closing Date, the Vendor shall deliver to the Purchaser an up-to-date Employee List of all Employees as at such date certified by an officer of the Vendor verifying to the extent of its knowledge the accuracy of the contents thereof."

And substituting therefore:

"Within 5 days of receipt of approval from MOH to the License transfer, the Vendor shall deliver to the Purchaser an up-to-date Employee List of all Employees as well as a current list of the status of non-active Employees and the status of all waiver of premium filings as at that date certified by an officer of the Vendor verifying to the extent of its knowledge the accuracy of the contents thereof."

8. **Section 2.11 (c) Revised List** is added to Section 2.11 as follows:

"(c) Within 10 days of receipt of the revised Employee List to be provided following MOH approval, the Purchaser shall advise the Vendor of any changes to the Transferred Employees arising as a result of changes to the Employee List."

9. **Section 2.17 Rollover Agreement** is added as follows:

"Vendor shall use its best efforts to facilitate an agreement between Vendor, Purchaser and Canadian Union of Public Employees Local 1263 (the "Union") conditional upon Closing for a roll over collective agreement to be entered into

- 4 -

between Purchaser and the Union (with an expiry date one year after the Closing Date), the terms of which will be:

- Except for wage rates and the expiry date of the collective agreement (the expiry date amended to reflect a term as set out above) the current terms of the expired Collective Agreement remain in place;
- the wage rates will be the rates in effect as at June 30, 2011 plus any proportional wage rate increase, by job classification, contained in any successor Extendicare Agreement on the closest pay date on or after the dates provided in the successor Extendicare Agreement but in no event prior to January 1, 2012 and annually thereafter.

"Extendicare Agreement" means the collective agreement between Extendicare (Canada) Inc. and CUPE in respect of the wage rates covering the homes owned by Extendicare for which CUPE has bargaining rights."

10. **Section 2.18 Benefit Plans** is added as follows:

"Vendor shall direct Diversicare to file all Waiver of Premium forms (re Life Insurance) for Employees who have met the required Elimination Period as set out in the Benefit Plan and to use their best efforts to obtain acceptance of such waivers from the insurance provider."

11. **Section 4.1(b)** is amended to read as follows:

"(b) the Purchaser shall have finalized financing terms to facilitate the completion of the Transaction prior to the Financing Condition Period (the "Financing Condition");"

12. **Section 4.3 Mutual Conditions** is amended to add the following sentence to subsection (a):

"Such Approval and Vesting Order will include provisions satisfactory to the Purchaser that the assets of the Debtor have not become the property of the government as a result of the Debtor not being in good standing."

13. **Section 4.3 (c)** is amended to read as follows:

"on or before February 29, 2012, the MOH shall have approved the purchase by the Purchaser contemplated under this Agreement and the MOH shall have approved the Purchaser for transfer of the Licence(s) or for issue of licences similar to the Licence(s)."

14. **Section 5.7(h)** is added as follows:

"assist the Purchaser to effect an orderly transition of the third party Benefit Plans from the current provider to the new benefit plans operated by the Purchaser by entering into a Transition Agreement between the Benefit Plan provider, Vendor and Purchaser for a period of ninety (90) days following Closing. Purchaser shall be responsible for the cost of the benefit plans from the Closing Date forward."

- 5 -

## 15. Section 5.7 (i) is added as follows:

"Vendor acknowledges that the Purchaser shall be replacing Diversicare as the Manager of the Business as at Closing. Therefore the Vendor and Purchaser agree to the following transition process:

- Diversicare, Extendicare and Purchaser shall arrange a meeting within 3 months of the application for the transfer of the license being submitted to advise home management of transition to new manager
- Following such meeting, Diversicare to work with Extendicare on the transition to allow Extendicare to prepare their processes and will allow Extendicare and the Purchaser access to the Assets and the Owned Real Property in accordance with the provisions of Section 5.6(a).
- Targeted transition date to be one month following the Closing Date

Vendor shall also obtain Diversicare's agreement to provide reasonable assistance in preparation of 2012 Annual Account Reconciliation."

16. Purchaser hereby waives the Due Diligence Condition and the conditions contained in sections 4.1(d) and 4.1(e).
17. Except as specifically amended herein, the Purchase Agreement continues in full force and effect
18. This Agreement may be executed by the parties in counterparts and delivered by way of pdf email transmission or facsimile, with such counterparts together and such delivery being deemed originals.

19. ~~Section 1.1 Definitions is amended by deleting:~~

"Assumed Contracts" is defined in Section 2.2 hereof."  
and substituting therefore:

"Assumed Contracts" means the Assumed Current Contracts and the Assumed Future Contracts."

Each of the parties has executed and delivered this Agreement, as of the date noted at the beginning of the Agreement.

- 6 -

DELOITTE & TOUCHE INC., solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of 1508669 Ontario Limited and not in its personal capacity

Per

Name:

DANIEL WEIN

Title:

SENIOR VICE PRESIDENT

SAC 4 INC.

Per

Name:

Robert Yoanidis

Title:

Vice-President



# TAB I

IN THE MATTER OF THE RECEIVERSHIP OF  
PARAGON HEALTH CARE INC./SOINS DE SANTE PARAGON INC.

**Receiver's Interim Statement of Receipts and Disbursements  
for the period January 24, 2006 to September 30, 2011**

**Receipts**

1. Ministry of Health Funding	\$ 58,266,945
2. Cash in bank	71,896
3. Interest earned	44,873
<b>4. Total receipts</b>	<b>\$ 58,383,714</b>

**Disbursements**

5. Funding to Casa Verde Nursing Home	\$ 45,893,149
6. Funding to Casa Verde Retirement Home	6,170,000
7. Receiver fees	872,366
8. Legal fees	298,637
9. GST	57,761
10. HST	25,515
11. Advertising	7,345
12. Courier	6,395
13. Appraisal fees	5,000
14. Consulting fees	4,045
15. Security	3,424
16. Travel expenses	1,268
17. Telephone	951
18. Photocopies	364
19. Postage	280
20. Bank charges	130
21. Filing fee	70
<b>22. Total disbursements</b>	<b>\$ 53,346,700</b>
<b>23. Receipts less disbursements</b>	<b>\$ 5,037,014</b>
<b>24. Distributions to secured creditor</b>	<b>\$ (3,306,793)</b>
<b>25. Balance on Hand</b>	<b>\$ 1,730,221</b>

# TAB J

IN THE MATTER OF THE RECEIVERSHIP OF  
PARAGON HEALTH CARE (ONTARIO) INC.

**Receiver's Interim Statement of Receipts and Disbursements  
for the period January 24, 2006 to September 30, 2011**

**Receipts**

1. Cash in bank	\$	3,479
2. Interest earned		<u>424</u>
<b>3. Total receipts</b>	<b>\$</b>	<b><u>3,903</u></b>

**Disbursements**

4. Filing fee	\$	70
5. Bank charges		<u>20</u>
<b>6. Total disbursements</b>	<b>\$</b>	<b><u>90</u></b>
<b>7. Balance on Hand</b>	<b>\$</b>	<b><u>3,813</u></b>

# TAB K

**Receiver's Interim Statement of Receipts and Disbursements  
for the period January 24, 2006 to September 30, 2011**

**Receipts**

1. Ministry of Health Funding	\$	22,521,429
2. Receiver's Certificates		477,273
3. Cash in bank		32,194
4. Interest earned		36,824
5. Miscellaneous refunds		3,160
6. <b>Total receipts</b>	<b>\$</b>	<b>23,070,880</b>

**Disbursements**

7. Funding to West Park Health Centre	\$	21,107,434
8. Receiver fees		492,670
9. Legal fees		140,920
10. Repayment of Receiver's Certificate		106,958
11. GST		28,383
12. HST		17,149
13. Advertisement		3,955
14. Consulting fees		3,557
15. Appraisal fees		2,500
16. Security		2,406
17. Courier		1,169
18. Travel expenses		975
19. Telephone		787
20. Photocopies		308
21. Postage		276
22. Filing fee		70
23. Bank charges		10
24. <b>Total disbursements</b>	<b>\$</b>	<b>21,909,527</b>
25. <b>Receipts less disbursements</b>	<b>\$</b>	<b>1,161,353</b>
26. <b>Less: Distributions to secured creditor</b>		<b>(1,000,000)</b>
27. <b>Balance on hand</b>	<b>\$</b>	<b>161,353</b>

# TAB L



October 13, 2011

Paragon Health Care Inc. - Soins de  
3595 Keele Street  
North York, ON M3J1M7

RE: Paragon Health Care Inc. - Soins de  
3595 keele street North York, ON

**STATEMENT FOR DISCHARGE PURPOSES - Mortgage No. 20795**  
(Effective October 13, 2011 - Interest currently paid to April 01, 2007)

Principal Balance as at April 01 2007	\$8,352,341.85
Interest Rate 8.370% from April 01 2007 to October 13 2011	\$3,284,721.54
Tax Account (A Minus Balance is a Credit)	\$3,588,908.29
Late Payment Interest	\$1,124,378.75
Discharge Penalty	\$ 0.00
Statement Fee	\$ 0.00
Discharge Fee	\$ 0.00
Sundry Account (A Minus Balance is a Credit)	\$124,515.67
<b>Total Amount</b>	<b>\$16,474,866.10</b>

Per Diem from October 13, 2011 \$1,915.32

The loan balance outstanding as at October 13, 2011 will be \$16,474,866.10.

THE AMOUNTS IN THIS STATEMENT ARE CALCULATED ON THE BASIS THAT ALL PAYMENTS UP TO AND INCLUDING THE ACTUAL PAYOUT ARE MADE AND HONoured. If any such payments are not made or honoured, then the amounts in this statement will no longer be valid and will be replaced without notice by amounts reflecting such non-payment. WE WILL NOT BE OBLIGED TO PROVIDE A DISCHARGE OF OUR MORTGAGE, NOTWITHSTANDING ANY TERMS OR CONDITIONS ACCOMPANYING PAYOUT, UNLESS AND UNTIL ANY SUCH PAYMENTS ARE MADE OR HONoured, so the obligation to ensure that all such payments are made and honoured is on the party relying on this statement and making payment to us in accordance with it.

All taxes and other charges paid by us from the time of preparation to the closing date and not indicated on this statement are the responsibility of the Mortgagor.

Funds received after 12:00 P.M. of the proposed discharge date will be subject to an additional daily interest charge of \$1,915.32 until paid. If the proposed discharge date is on Friday, funds received after 12:00 P.M. will be subject to additional interest until the next business day. If this is a floating rate mortgage, the daily interest charge is subject to change in the Prime Lending Rate of the Bank of Montreal.

Payment must be in the form of a solicitor's trust cheque or certified cheque. Please include the appropriate form of Discharge Documentation (including PPSA Security if applicable) for execution by Peoples Trust Company.

This statement may not be used past the end of the month in which it was issued.

If this loan is in an MBS Pool, the Discharge Statement may be subject to CMHC approval. If approved, a final Discharge penalty calculation must be requested no more than 5 business days prior to payout. If this is a final penalty calculation, the penalty is valid only for the effective date on this statement.

Martin Mallich  
Manager, Default Management

E & O.E.

<b>Head Office</b> <input type="checkbox"/> Suite 1400, 888 Dunsmuir St Vancouver, B.C. V6C 3K4 Telephone: 604-683-2881 Fax: 604-683-5110 Email: people@peoplestrust.com	<b>B.C. Region</b> <input type="checkbox"/> Suite 1115 - Bentall Two, PO Box 231 555 Burrard Street Vancouver, B.C. V7X 1M8 Telephone: 604-683-1068 Fax: 604-683-2787 Email: vancouver@peoplestrust.com	<b>Prairie Region</b> <input type="checkbox"/> Suite 955, 808-4 <sup>th</sup> Ave. S.W. Calgary, AB, T2P 3E8 Telephone: 403-237-8975 Fax: 403-266-5002 Email: calgary@peoplestrust.com	<b>Ontario Region</b> <input type="checkbox"/> Suite 1801-130 Adelaide St. West Toronto, ON M5H 3P5 Telephone: 416-368-3266 Fax: 416-368-3328 Email: toronto@peoplestrust.com
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# TAB 3

Court File No. 06-CL-6233

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)

BETWEEN:

PEOPLES TRUST COMPANY

Applicant

- and -

PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED  
and PARAGON HEALTH CARE (ONTARIO) INC.

Respondents

---

AFFIDAVIT OF HARTLEY M. BRICKS  
(Sworn October 31, 2011)

---

I, **HARTLEY M. BRICKS**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am a Vice President of Deloitte & Touche Inc., the court-appointed interim receiver and receiver and manager (the "**Receiver**") of Paragon Health Care Inc. ("**Paragon**"), Paragon Health Care (Ontario) Inc. ("**Paragon Ontario**") and 1508669 Ontario Limited ("**1508669**"). As such, I have personal knowledge of the matters to which I hereinafter refer.
2. Attached hereto as **Exhibit "A"** is a summary of the accounts issued by the Receiver for Paragon and Paragon Ontario from November 1, 2010 to June 30, 2011.
3. Attached hereto as **Exhibit "B"** is a summary of the accounts issued by the Receiver for 1508669 from November 1, 2010 to June 30, 2011.

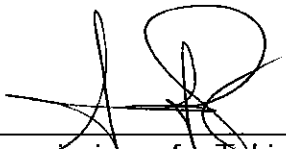
4. Attached hereto as **Exhibit "C"** are true copies of the accounts of the Receiver with respect to Paragon and Paragon Ontario, including a detailed description of the activities, number of hours worked, applicable hourly rates, and totals. The Receiver's average hourly rate charged over this period is \$460. I confirm that these accounts accurately reflect the services provided by the Receiver in this proceeding.

5. Attached hereto as **Exhibit "D"** are true copies of the accounts of the Receiver with respect to 1508669, including a detailed description of the activities, number of hours worked, applicable hourly rates, and totals. The Receiver's average hourly rate charged over this period is \$467. I confirm that these accounts accurately reflect the services provided by the Receiver in this proceeding.

6. Based on my review of both the Paragon and Paragon Ontario, and 1508669 accounts and my personal knowledge of this matter, the Paragon and Paragon Ontario, and 1508669 accounts represent a fair and accurate description of the services provided and the amounts charged by the Receiver.

7. I swear this affidavit in support of the Receiver's Motion for, among other things, approval of its fees and disbursements and those of its counsel and for no other or improper purpose.

**SWORN** before me at the City of  
Toronto, in the Province of Ontario,  
on October 31, 2011.

  
\_\_\_\_\_  
Commissioner for Taking Affidavits

Anna Koroneos, a Commissioner, etc.,  
Province of Ontario  
for Deloitte & Touche Inc.,  
Trustee in Bankruptcy.  
Expires June 5, 2014.

)  
)  
)  
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)  
)  
  
\_\_\_\_\_  
Hartley M. Bricks

# TAB A

This is Exhibit "A" referred 211  
in the Affidavit of Hartley Bricker  
Sworn before me this 31<sup>st</sup> day of  
October  
Commissioner, etc.

**Exhibit "A"**

**Summary Of Invoices Issued By The Receiver For  
Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc.**

Anna Koroneos, a Commissioner, etc.,  
Province of Ontario  
for Deloitte & Touche Inc.,  
Trustee in Bankruptcy.  
Expires June 5, 2014.

<u>Invoice Date</u>	<u>Invoice Period</u>	<u>Amount of Invoice (including HST)</u>
7-Feb-11	November 1, 2010 to December 31, 2010	\$ 20,327.57
21-Apr-11	January 1, 2011 to February 28, 2011	33,192.62
26-May-11	March 1, 2011 to April 30, 2011	32,141.16
1-Sept-11	May 1, 2011 to June 30, 2011	<u>15,003.58</u>
		<u>\$100,664.93</u>

# TAB B

Exhibit "B"

Summary of Invoices Issued by the Receiver for  
1508669 Ontario Limited

This is Exhibit "B" referred to  
in the Affidavit of Hartley Bricker  
Sworn before me this 31st day of  
October 2011  
Commissioner, etc.

212

Anna Koroneos, a Commissioner, etc.,  
Province of Ontario  
for Deloitte & Touche Inc.,  
Trustee in Bankruptcy.  
Expires June 5, 2014.

<u>Invoice Date</u>	<u>Invoice Period</u>	<u>Amount of Invoice</u> <u>(including HST)</u>
23-Feb-11	November 1, 2010 to December 31, 2010	\$ 19,951.85
20-Apr-11	January 1, 2011 to February 28, 2011	27,962.42
26-May-11	March 1, 2011 to April 30, 2011	31,584.07
1-Sept-11	May 1, 2011 to June 30, 2011	21,210.10
		<u>\$100,708.44</u>

# TAB C



## Private and Confidential

Paragon Health Care Inc. o/a Casa Verde Health Centre and  
Paragon Health Care (Ontario) Inc.  
c/o Deloitte & Touche Inc.  
181 Bay Street, Suite 1400  
Toronto, Ontario  
M5J 2V1

Date: February 7, 2011  
Invoice No: 2774843  
Client/Mandate No: 891048.1000000  
Billing Partner: Daniel R. Weisz

HST Registration No: 133245290

This is Exhibit "C2" referred to

in the Affidavit of Hartley Bricks

Sworn before me this 31st day of

October, 2011

A Commissioner, etc., [Signature]

## Invoice #29

Re: Paragon Health Care Inc. ("Paragon") and Paragon Health Care (Ontario)  
Inc. ("Paragon Ontario") - Receivership

Anna Koroneos, a Commissioner, etc.,  
Province of Ontario  
for Deloitte & Touche Inc.,  
Trustee in Bankruptcy.  
Expires June 5, 2014.

To professional services rendered in connection with the appointment of  
Deloitte & Touche Inc. as Court-appointed Interim Receiver and Receiver and  
Manager ("Receiver") of Paragon Health Care Inc. and Paragon Health Care  
(Ontario) Inc. o/a Casa Verde Health Centre ("Casa Verde") for the period  
November 1, 2010 to December 31, 2010, including;

- Discussion on November 1, 2010 with Mr. John Jensen of John A. Jensen Realty Inc. regarding a meeting with a potential purchaser of Casa Verde (the "Purchaser"); discussion on November 1, 2010 with Ms. Millie Christie of Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding a meeting with the Purchaser and other matters;
- Review on November 2, 2010 and execute various offer letters of employment;
- Correspondence and discussions on November 3, 2010 with Ms. Christie regarding an employee matter;
- Review on November 5, 2010 of various correspondence regarding due diligence information provided to the Purchaser;
- Review on November 5, 2010 of correspondence receive from Diversicare regarding a Landlord and Tenant Board appeal;
- Discussion on November 8, 2010 with Mr. Jensen regarding sale matters; discussion on November 8, 2010 with Mr. Harry VanderLugt of Gowling Lafleur Henderson LLP ("Gowlings") regarding a due diligence request and further discussion with Mr. Jensen regarding same;
- Correspondence on November 9, 2010 with RiskCheck Environmental Inc.

("RiskCheck") regarding a providing a proposal to prepare a Phase I Environmental Site Assessment ("Phase I ESA");

- Provide on November 9, 2010 to Mr. Jensen various documents requested by the Purchaser;
- Discussion on November 10, 2010 with Mr. Larry Doraty of Canada Mortgage and Housing Corporation ("CMHC") regarding the status of the sale transaction;
- Review on November 11, 2010 of RiskCheck's proposal for a Phase I ESA and approve same;
- Correspondence on November 12, 2010 with Diversicare regarding upcoming cash flow funding requirements;
- Review of files on November 12, 2010 and provide to Mr. Jensen various documents requested by the Purchaser;
- Correspondence on November 15, 2010 with RiskCheck regarding its Phase I ESA;
- Prepare on November 18, 2010 and provide various due diligence documents to the Purchaser;
- Discussion on November 23, 2010 with Mr. Eamonn O'Rafferty of CMHC regarding the status of the sale transaction;
- Discussion on November 23, 2010 with Mr. Jensen regarding the status of the sale transaction;
- Correspondence on November 23, 2010 with RiskCheck regarding the timing for a site visit regarding its Phase I ESA;
- Correspondence on November 25, 2010 with Mr. M. Mallich of Peoples Trust Company ("Peoples") regarding a listing extension for Casa Verde;
- Review on November 26, 2010 of operating results for September 2010 and provide same to Peoples and CMHC;
- Discussion on November 29, 2010 with Mr. O'Rafferty regarding the status of the sale transaction;
- Review on November 30, 2010 of correspondence from a former employee and respond to same;
- Discussion on December 1, 2010 with Mr. Jensen regarding the status of the sale transaction;
- Review on December 2, 2010 and execute a listing extension with Jensen;
- Review and execute on December 3, 2010 the 2009 Long Term Care Home Annual Report for Casa Verde;
- Review on December 6, 2010 of a statement of claim forwarded by Ms. Christie and discussion with Ms. Christie regarding same;

- Review on December 14, 2010 of a schedule of capital expenditures for 2010 and forward same to CMHC;
- Discussion on December 15, 2010 with a party expressing an interest in Casa Verde and refer that party to Jensen;
- Review on December 15, 2010 of operating results for October 2010;
- Discussion on December 15, 2010 with Diversicare regarding various matters;
- Preparation on December 16, 2010 of statements of receipts and disbursements for Reports of the Receiver pursuant to section 246(2) of the *Bankruptcy and Insolvency Act*;
- Discussion on December 17, 2010 with Mr. Jensen regarding the status of the sale transaction and correspondence with Mr. Doraty regarding status of purchaser's due diligence and financing;
- Review on December 20, 2010 of correspondence received from Diversicare;
- Discussion on December 20, 2010 with Mr. Jensen regarding the status of the sale transaction;
- Correspondence on December 23, 2010 with CMHC regarding the Purchaser's financing condition deadline;
- Correspondence on December 30, 2010 with Mr. John Ialeggio of First National Financial LP regarding the expiration date of the financing condition;
- To all other administrative matters with respect to the receivership administration, including all meetings, telephone attendances, written and verbal correspondence to facilitate the foregoing.

Summary of fees

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	0.9	\$ 575.00	\$517.50
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	30.3	480.00	14,544.00
Anna Koroneous, Senior	11.1	245.00	2,719.50
Rose Brown, Estate Administrator	<u>1.3</u>	160.00	208.00
Total Hours	<u>43.6</u>		
		Our Fee	\$17,989.00
		HST @ 13%	2,338.57
		Amount Payable	<u>\$20,327.57</u>

Payable upon receipt to Deloitte & Touche Inc.



Daniel R. Weisz, CA•CIRP, CIRP  
Senior Vice President

20110207

## Private and Confidential

Paragon Health Care Inc. o/a Casa Verde Health Centre and  
Paragon Health Care (Ontario) Inc.  
c/o Deloitte & Touche Inc.  
181 Bay Street, Suite 1400  
Toronto, Ontario  
M5J 2V1

Date: April 21, 2011  
Invoice No: 2822228  
Client/Mandate No: 891048.1000000  
Billing Partner: Daniel R. Weisz

HST Registration No: 133245290

## Invoice #30

**Regarding: Paragon Health Care Inc. ("Paragon") and Paragon Health Care (Ontario) Inc. ("Paragon Ontario") - Receivership**

**To professional services rendered in connection with the appointment of Deloitte & Touche Inc. as Court-appointed Interim Receiver and Receiver and Manager ("Receiver") of Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. o/a Casa Verde Health Centre ("Casa Verde") for the period January 1, 2011 to February 28, 2011, including;**

- Review on January 4, 2011 of the November 2010 operating statement;
- Discussion on January 4, 2011 with Ms. Millie Christie of Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding the status of various matters and computer server issues;
- Review of correspondence on January 4, 2011 from Diversicare regarding Ministry of Health and Long-Term Care ("MOH") approval for equipment purchases;
- Discussion on January 7, 2011 with Mr. John Jensen of John A. Jensen Realty Inc. ("Jensen Realty") regarding the status of the purchaser's due diligence;
- Review on January 10, 2011 of correspondence from Diversicare regarding MOH funding for 2010, review of files and respond to same;
- Correspondence on January 11, 2011 with Diversicare regarding server issue and MDS-RAI funding;
- Correspondence on January 14, 2011 with Diversicare regarding required upgrade of the computer server;

- Correspondence on January 17, 2011 with Diversicare regarding MOH funding;
- Review on January 18, 2011 of correspondence from Diversicare regarding a statement of claim being defended by the insurer;
- Correspondence on January 19, 2011 from Mr. Jensen regarding due diligence matters;
- Discussion on January 20, 2011 with Mr. Jensen regarding the status of the purchaser's due diligence and forward an information request to Diversicare;
- Respond on January 21, 2011 to e-mails from the purchaser regarding due diligence matters and forward an information request to Diversicare;
- Review and respond on January 21, 2011 to correspondence from RiskCheck regarding a letter received;
- Review on January 24, 2011 of correspondence from Mr. Jensen regarding waiver of conditions by the purchaser and forward same to Mr. Harry VanderLugt of Gowling Lafleur Henderson LLP ("Gowlings");
- Discussion on January 24, 2011 with Mr. Jensen regarding the purchaser's position;
- Preparation on January 24, 2011 of cash flow funding;
- Discussion on January 25, 2011 with Mr. Jensen regarding status;
- Discussion on January 25, 2011 with Mr. Martin Mallich of Peoples Trust Company ("Peoples") regarding status of the sale of Casa Verde and next steps;
- Review and execute on January 26, 2011 employment offer letters;
- Review on February 2, 2011 and reconcile MOH funding for 2010 and forward correspondence to Diversicare regarding same;
- Discussion on February 4, 2011 with Ms. Carrie Oram of the MOH regarding the licensing transfer process and prepare correspondence to Mr. Jensen regarding same;
- Discussion on February 7, 2011 with Mr. Clifton Prophet of Gowlings regarding the timing of the Receiver's motion to the Court and the amount of the proposed distribution to Peoples;
- Prepare on February 8, 2011 the Receiver's Sixth Report to Court (the "Report") in respect of seeking approval for the sale of Casa Verde and a distribution of funds to Peoples;
- Prepare on February 8, 2011 correspondence to Diversicare requesting information required for the Report;
- Attendance on February 9, 2011 at Casa Verde with Ms. Christie and Mr. Richard Stewart to review the 2011 budget and discuss various operational matters;

- Further preparation of the Report on February 10, 11, and 14, 2011;
- Review on February 11, 2011 the draft Notice of Motion and forward suggested changes to Mr. Prophet;
- Review on February 14, 2011 the revised Motion Record and provide further comments to Mr. Prophet;
- Review on February 15, 2011 comments from Gowlings on the Report and discuss same with Mr. Prophet, finalize the Report and provide same to Gowlings for inclusion in the motion materials;
- Review on February 15, 2011 of the revised 2011 budget for Casa Verde;
- Correspondence on February 16, 2011 with Mr. Keith Foot of Ralph Moss Limited regarding the renewal of employee benefit plans;
- Correspondence on February 17, 2011 with Diversicare regarding employee matters;
- Attendance on February 22, 2011 in Court in connection with the Receiver's application for the approval and vesting order for the sale of Casa Verde and for an Order directing a distribution to Peoples;
- Correspondence on February 22, 2011 to Peoples regarding court approval and wire details for distribution;
- Discussion on February 23, 2011 with Mr. Jensen regarding correspondence received by the Receiver in respect of a claimed co-broker arrangement;
- Prepare on February 23, 2011 the notice to residents and staff regarding the proposed sale;
- Review e-mail correspondence on February 24, 2011 from Mr. Howard Manis regarding his client's claim to a sale commission;
- Finalize on February 24, 2011 the notice to residents and staff; prepare letter to MOH regarding notice of sale and licence transfer;
- Discussion on February 25, 2011 with Diversicare regarding letter to MOH and other matters;
- Finalize on February 28, 2011 and send letter to MOH regarding sale of Casa Verde; and
- To all other administrative matters with respect to the receivership administration, including all meetings, telephone attendances, written and verbal correspondence to facilitate the foregoing.

Summary of fees

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	5.2	\$ 575.00	\$2,990.00
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	54.3	480.00	26,064.00
Rose Brown, Estate Administrator	<u>2.0</u>	160.00	320.00
<b>Total Hours</b>	<b><u>61.5</u></b>		
		Our Fee	\$29,374.00
		HST @ 13%	3,818.62
		<b>Amount Payable</b>	<b>\$33,192.62</b>

Payable upon receipt to Deloitte & Touche Inc.



Daniel R. Weisz, CA•CIRP, CIRP  
Senior Vice President  
4531368



## Private and Confidential

Paragon Health Care Inc. o/a Casa Verde Health Centre and  
Paragon Health Care (Ontario) Inc.  
c/o Deloitte & Touche Inc.  
181 Bay Street, Suite 1400  
Toronto, Ontario  
M5J 2V1

Date: May 26, 2011  
Invoice No: 2867524  
Client/Mandate No: 891048.1000000  
Billing Partner: Daniel R. Weisz

HST Registration No: 133245290

## Invoice #31

Regarding: Paragon Health Care Inc. ("Paragon") and Paragon Health Care (Ontario) Inc. ("Paragon Ontario") - Receivership

To professional services rendered in connection with the appointment of Deloitte & Touche Inc. as Court-appointed Interim Receiver and Receiver and Manager ("Receiver") of Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. o/a Casa Verde Health Centre ("Casa Verde") for the period March 1, 2011 to April 30, 2011, including;

- Correspondence on March 2, 2011 with Mr. Eamonn O'Rafferty of Canada Mortgage and Housing Corporation ("CMHC") regarding the status of operations and the sale process;
- Review of correspondence on March 4, 2011 from Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding budget and operational matters and respond to same;
- Review of correspondence on March 4, 2011 from the Ministry of Health and Long-Term Care ("MOH") regarding the proposed sale of Casa Verde;
- Review and revise on March 4, 2011 Reports of Receiver pursuant to section 246(2) of the Bankruptcy and Insolvency Act;
- Discussion on March 7, 2011 with Mr. Gary Loder of Extendicare (Canada) Inc. ("Extendicare") regarding the status of the licensing transfer process;
- Review on March 8, 2011 of correspondence regarding employee matters and discussion with Ms. Millie Christie regarding same;
- Preparation on March 9, 2011 of correspondence to Mr. Harry VanderLugt of Gowling Lafleur Henderson LLP ("Gowlings") regarding the status of various issues and proposed amendments to the Agreement of Purchase and

Sale ("APS");

- Discussion on March 9, 2011 with Ms. Barbara Thompson, Casa Verde's Director of Care ("DOC"), regarding workplace matters and discussion with Ms. Christie regarding same;
- Correspondence on March 11, 2011 with Ms. Christie regarding communications with Ms Thompson;
- Review of correspondence on March 14, 2011 from Ms. Christie regarding new funding available from the MOH and the proposed use of the funds;
- Review of correspondence on March 14, 2011 from Ms. Christie regarding her meeting with the DOC;
- Review on March 14, 2011 of a statement of account submitted by Heenan Blaikie LLP;
- Review and respond on March 15, 2011 to correspondence from CMHC regarding estimated surplus/deficit of funds by the closing date of the APS;
- Discussion on March 16, 2011 with Ms. Christie regarding employee matters;
- Discussion on March 16, 2011 with an employee regarding issues in the home; subsequent call to Ms. Christie regarding further employee matters;
- Discussion on March 16, 2011 with Mr. VanderLugt regarding the status of the APS;
- Discussion on March 18, 2011 with Ms. Christie regarding termination of an employee, review and revise termination letter, execute and send to Ms. Christie;
- Review and sign Amending Agreement on March 18, 2011 and forward to Mr. VanderLugt;
- Review of correspondence on March 21, 2011 from insurer and forward same to Gowlings;
- Review and execute on March 21, 2011 a fire alarm monitoring agreement;
- Review on March 22, 2011 of funds received from the MOH and send e-mail to Diversicare regarding shortfall in funding;
- Review on March 22, 2011 of operating results for January 2011;
- Respond on March 23, 2011 to CMHC regarding an update on the sale process and management fees;
- Correspondence on March 24, 2011 regarding MOH funding;
- Correspondence on March 24, 2011 with Mr. Martin Mallich of Peoples Trust Company ("Peoples") regarding surplus cash on hand;
- Review on March 31, 2011 of correspondence from Diversicare and respond to same;

- Review correspondence on April 1, 2011 from Diversicare regarding various operating matters;
- Review and execute on April 5, 2011 an agreement for pharmacy services and forward a copy of same to the purchaser;
- Correspondence on April 5, 2011 with Mr. VanderLugt regarding the status of the licensing transfer process;
- Review correspondence on April 6, 2011 from Diversicare regarding operational matters;
- Discussion on April 6, 2011 with Ms. Christie regarding various operational matters;
- Review on April 8, 2011 of correspondence from Diversicare;
- Respond on April 13, 2011 to CMHC regarding an update on the status of operations and the sale process;
- Review on April 13, 2011 of correspondence from Gowlings regarding key dates and respond to same;
- Correspondence on April 18, 2011 with Diversicare regarding employee matters;
- Review and execute on April 18, 2011 a staffing agency agreement;
- Review on April 19, 2011 a cash flow funding request from Diversicare and prepare correspondence regarding same;
- Discussion on April 20, 2011 with Ms. Christie regarding the status of various matters;
- Review on April 20, 2011 of operating results for February 2011;
- Discussion on April 20, 2011 with Mr. O'Rafferty regarding the status of the sale process and forward a copy of the APS;
- Discussion on April 28, 2011 with Mr. Loder regarding the status of MOH submissions;
- Review on April 28, 2011 of an agreement to terminate a contract and discussion with Ms. Christie regarding same;
- Correspondence on April 29, 2011 with Diversicare regarding trust accounts and employee matters; and
- To all other administrative matters with respect to the receivership administration, including all meetings, telephone attendances, written and verbal correspondence to facilitate the foregoing.

## Summary of fees

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	1.3	\$ 575.00	\$747.50
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	57.0	480.00	27,360.00
Rose Brown, Estate Administrator	2.1	160.00	336.00
<b>Total Hours</b>	<u>60.4</u>		
		Our Fee	\$28,443.50
		HST @ 13%	3,697.66
		<b>Amount Payable</b>	<b>\$32,141.16</b>

Payable upon receipt to Deloitte &amp; Touche Inc.

Daniel R. Weisz, CA•CIRP, CIRP  
Senior Vice President

453/0249

## Private and Confidential

Paragon Health Care Inc. o/a Casa Verde Health Centre and  
Paragon Health Care (Ontario) Inc.  
c/o Deloitte & Touche Inc.  
181 Bay Street, Suite 1400  
Toronto, Ontario  
M5J 2V1

Date: September 1, 2011  
Invoice No: 2919581  
Client/Mandate No: 891048.1000000  
Billing Partner: Daniel R. Weisz

HST Registration No: 133245290

## Invoice #32

**Regarding: Paragon Health Care Inc. ("Paragon") and Paragon Health Care (Ontario) Inc. ("Paragon Ontario") - Receivership**

**To professional services rendered in connection with the appointment of Deloitte & Touche Inc. as Court-appointed Interim Receiver and Receiver and Manager ("Receiver") of Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. o/a Casa Verde Health Centre ("Casa Verde") for the period May 1, 2011 to June 30, 2011, including;**

- Correspondence on May 3, 2011 with Ms. Millie Christie of Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding the results of the Ontario Retirement Communities Association survey;
- Review on May 4, 2011 of fixed asset purchase request and correspondence with Diversicare regarding same;
- Attendance on May 5, 2011 on a conference call with Mr. Cliff Prophet of Gowling Lafleur Henderson LLP ("Gowlings") to discuss Gowlings draft response to correspondence from Mr. Howard Manis, counsel to a real estate broker;
- Correspondence on May 10, 2011 with Ms. Christie regarding employee matters;
- Review on May 10, 2011 of March 2011 operating results;
- Review and respond on May 12, 2011 to various correspondence from Diversicare regarding operating results;
- Correspondence on May 17, 2011 with Ms. Christie regarding the

implications of the Retirement Homes Act on Casa Verde;

- Review and execute on May 18, 2011 a lease agreement for a fax machine and an offer letter of employment;
- Discussion on May 18, 2011 with Ms. Christie regarding employee matters;
- Review on May 18, 2011 of Mr. Prophet's draft letter to Mr. Manis and e-mail comments to Mr. Prophet;
- Execute on May 20, 2011 an agreement with Medical Pharmacies;
- Prepare on May 20, 2011 cash flow funding requested by Diversicare;
- Discussion on May 20, 2011 with Ms. Christie regarding various operational matters;
- Preparation on May 25, 2011 of a status update for Mr. Eamonn O'Rafferty of Canada Mortgage and Housing Corporation ("CMHC");
- Review and execute on May 26, 2011 an offer letter of employment and forward to Diversicare;
- Correspondence on May 30, 2011 with Ms. Christie regarding repairs and maintenance matters;
- Correspondence on June 6, 2011 with Mr. Gary Loder of Extendicare (Canada) Inc. regarding the status of the Purchaser's application for license transfer to the Ministry of Health and Long-Term Care (the MOH);
- Review and execute on June 7, 2011 an offer letter of employment;
- Correspondence on June 7, 2011 with Mr. Martin Mallich of Peoples Trust Company regarding the status of the licensing transfer process;
- Review on June 7, 2011 of the cash flow status;
- Correspondence on June 8, 2011 with Diversicare regarding the status of various employee related matters;
- Review and revise on June 10, 2011 an employment termination letter;
- Review and revise on June 13, 2011 an offer letter of employment;
- Correspondence on June 14, 2011 with Ms. Christie regarding the status of employee related issues;
- Review and respond on June 16, 2011 to correspondence from Ms. Christie;
- Review and respond on June 16, 2011 to enquiries from Mr. O'Rafferty regarding operating results and the status of the sale;
- Review on June 16, 2011 of May 2011 operating results;
- Review and respond on June 17, 2011 to correspondence from Ms. Christie regarding employee matters;
- Prepare on June 22, 2011 cash flow funding and forward to Diversicare;

Paragon Health Care Inc. o/a Casa Verde Health Centre - Receivership

September 1, 2011

Page 3 of 4 – Invoice #32

- Review on June 24, 2011 of information received from Diversicare and respond to same;
- Discussion on June 28, 2011 with Ms. Christie regarding staffing matters;
- Correspondence on June 29, 2011 with Mr. O'Rafferty regarding a status update on the sale process;
- Correspondence on June 30, 2011 with Ms. Edith Petes of the MOH regarding the status of the licensing transfer process; and
- To all other administrative matters with respect to the receivership administration, including all meetings, telephone attendances, written and verbal correspondence to facilitate the foregoing.

**Summary of fees**

**A detailed summary of hours and rates as follows:**

<b>Staff</b>	<b>Hours</b>	<b>Hourly Rates</b>	<b>Total Fees</b>
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	1.3	\$ 575.00	\$747.50
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	25.6	480.00	12,288.00
Anna Koroneos Senior Associate	0.4	245.00	98.00
Rose Brown Estate Administrator	<u>0.9</u>	160.00	144.00
<b>Total Hours</b>	<b><u>28.2</u></b>		
		Our Fee	\$13,277.50
		HST @ 13%	1,726.08
		<b>Amount Payable</b>	<b>\$15,003.58</b>

**Payable upon receipt to Deloitte & Touche Inc.**



Daniel R. Weisz, CA•CIRP, CIRP  
Senior Vice President

#540087



# TAB D

## Private and Confidential

1508669 Ontario Limited o/a West Park Health Centre  
c/o Deloitte & Touche Inc.  
181 Bay Street  
Suite 1400  
Toronto, Ontario  
M5J 2V1

Date: February 23, 2011  
Invoice No: 2781522  
Client/Mandate No: 891066.1000000  
Billing Partner: Daniel R. Weisz

HST Registration No: 133245290

## Invoice #29

This is Exhibit "D" referred to  
in the Affidavit of Hartley Bricks  
Sworn before me this 31st day of  
October 2011  
A Commissioner, etc., [Signature]

Re: 1508669 Ontario Limited ("1508669" or the "Company") – Receivership  
To professional services rendered in connection with the appointment of  
Deloitte & Touche Inc. ("Deloitte") as Court-appointed Interim Receiver and  
Receiver and Manager ("Receiver") of 1508669 Ontario Limited o/a West  
Park Health Centre ("West Park") for the period November 1 to December  
31, 2010, including:

Anna Koroneos, a Commissioner, etc.,  
Province of Ontario  
for Deloitte & Touche Inc.,  
Trustee in Bankruptcy.  
Expires June 5, 2014.

- Discussion on November 3, 2010 with Mr. Eamonn O'Rafferty of Canada Mortgage and Housing Corporation ("CMHC") regarding West Park's budget;
- Further discussion on November 4, 2010 with Mr. O'Rafferty regarding West Park's budget;
- Review on November 4, 2010 of an MPAC information request forwarded by Mr. Martin Mallich of Peoples Trust Company ("Peoples");
- Correspondence on November 5, 2010 with Mr. O'Rafferty regarding questions on West Park's budget;
- Completion on November 8, 2010 of the MPAC information request, discuss same with Mr. Harry VanderLugt of Gowling Lafleur Henderson LLP ("Gowlings") and forward completed form to Peoples;
- Discussion on November 10, 2010 with Mr. Eric Hall of Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding the status of various issues at West Park and property tax matters;
- Correspondence on November 12, 2010 with Diversicare regarding its request for cash flow funding;
- Correspondence on November 16, 2010 with Mr. Mallich regarding the status of CMHC's review of West Park;

- Discussion on November 19, 2010 with Mr. Larry Doraty of CMHC regarding the status of CMHC's review of West Park;
- Correspondence on November 19, 2010 with Mr. Mallich regarding cash flow matters and the requirement to obtain funding from Peoples through the issuance of a Receiver's Certificate;
- Correspondence on November 21, 2010 from Diversicare regarding boiler issues at West Park;
- Preparation on November 22, 2010 of the Receiver's Certificate;
- Correspondence on November 23, 2010 with Mr. John Jensen of John A. Jensen Realty Inc. ("Jensen Realty") regarding past financial results;
- Discussion on November 24, 2010 with Mr. O'Rafferty regarding the marketing and sales process for West Park and subsequent preparation of correspondence regarding same;
- Review on November 24, 2010 of correspondence from CMHC regarding West Park;
- Discussion on November 24, 2010 with Mr. Jensen regarding the status of a letter of intent (the "First LOI") received in September 2010 and counter offer of same;
- Correspondence on November 25 and 26, 2010 with Peoples regarding a counter offer to the First LOI;
- Review on November 26, 2010 of the operating results for September 2010 and forward same to Peoples and CMHC;
- Forward on November 29, 2010 of the Receiver's Certificate to Peoples after receipt of funding confirmed;
- Discussion on November 29, 2010 with Mr. O'Rafferty regarding the status of West Park;
- Preparation on November 29, 2010 of a counter offer to the First LOI and forward same to Mr. Jensen and discuss same with Mr. Jensen;
- Review on November 29, 2010 of correspondence from Diversicare regarding the revised MOH payment notice for November 2010;
- Review on November 30, 2010 of the budget and discuss same with Mr. Jensen;
- Correspondence on December 2, 2010 with Peoples regarding the extension of the listing agreement with Jensen Realty, execute the extension and return same to Jensen Realty;
- Review on December 3, 2010 of the Long-Term Care Home Annual Report for 2009 and execute same;
- Review on December 10, 2010 of correspondence from the Ministry of Health and Long-Term Care ("MOH");
- Review on December 10, 2010 of correspondence from Mr. Hall regarding receipt of the Commission of Accreditation of Rehabilitation Facilities

("CARF") Accreditation for West Park;


- Review on December 15, 2010 of the revised First LOI and discussion with Mr. Jensen regarding same and subsequent correspondence to Peoples regarding same;
- Preparation on December 16, 2010 of a statement of receipts and disbursements for the Report of Receiver pursuant to section 246(2) of the Bankruptcy and Insolvency Act;
- Discussion on December 17, 2010 with Mr. Jensen regarding the status of the First LOI and counter offer, correspondence to Peoples regarding same, and prepare a counter offer to the First LOI;
- Review on December 17, 2010 of a letter of intent from a second interested party ("Second LOI");
- Discussion on December 21, 2010 with Mr. Jensen regarding a further counter offer to the revised First LOI received and review of same;
- Draft on December 21, 2010 of correspondence to Peoples and Gowlings regarding the First LOI and the Second LOI;
- Review on December 22, 2010 of a revised Second LOI and discuss same with Mr. Jensen;
- Review on December 22, 2010 of Mr. VanderLugt's preliminary comments on the revised Second LOI received;
- Correspondence on December 22, 2010 with Mr. Hall regarding various matters at West Park;
- Discussion on December 23, 2010 with Mr. VanderLugt regarding changes to the revised Second LOI, prepare counter offer to the revised Second LOI and forward to Mr. Jensen; and
- To all other administrative matters with respect to the receivership, including all meetings/discussions, telephone attendances, written correspondence, review and execution of disbursements, verbal and written reporting to facilitate the foregoing.

1508669 Ontario Limited o/a West Park Health Centre  
 February 23, 2011  
 Page 4 of 4 – Invoice #29

**A detailed summary of hours and rates as follows:**

Staff	Hours	Hourly Rates	Total Fees
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	1.8	\$ 575.00	\$1,035.00
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	30.3	480.00	14,544.00
Anna Koroneos, Senior Consultant	7.5	245.00	1,837.50
Rose Brown, Estate Administrator	<u>1.5</u>	160.00	240.00
<b>Total Hours</b>	<b><u>41.1</u></b>		
		Our Fee	\$17,656.50
		HST @ 13%	2,295.35
		<b>Amount Payable</b>	<b>\$19,951.85</b>

**Payable upon receipt to Deloitte & Touche Inc.**

  
 Daniel R. Weisz, CA•CIRP, CIRP  
 Senior Vice President  
 #531377

## Private and Confidential

1508669 Ontario Limited o/a West Park Health Centre  
c/o Deloitte & Touche Inc.  
181 Bay Street  
Suite 1400  
Toronto, Ontario  
M5J 2V1

Date: April 20, 2011  
Invoice No: 2820883  
Client/Mandate No: 891066.1000000  
Billing Partner: Daniel R. Weisz

HST Registration No: 133245290

## Invoice #30

**Regarding: 1508669 Ontario Limited ("1508669" or the "Company") –  
Receivership**

To professional services rendered in connection with the appointment of Deloitte & Touche Inc. ("Deloitte") as Court-appointed Interim Receiver and Receiver and Manager ("Receiver") of 1508669 Ontario Limited o/a West Park Health Centre ("West Park") for the period January 1 to February 28, 2011, including:

- Review on January 4, 2011 of operating results for November 2010;
- Correspondence on January 4, 2011 with Mr. Eric Hall of Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding an employee matter;
- Correspondence on January 5, 2011 with Mr. John Jensen of John A. Jensen Realty Inc. regarding the status of an offer received from an interested party;
- Correspondence on January 6, 2011 with Mr. Jensen regarding an interested party;
- Review on January 6, 2011 of correspondence from Mr. Hall regarding Commission on Accreditation of Rehabilitation Facilities ("CARF") approval;
- Discussion on January 7, 2011 with Mr. Jensen regarding the status of various offers;
- Correspondence on January 11, 2011 with Mr. Hall regarding an employee termination;
- Review on January 11 and 12, 2011 of offers received and provide a summary of same to Peoples Trust Company ("Peoples");
- Discussion on January 13, 2011 with Mr. Jensen regarding offers received;

- Discussion on January 13, 2011 with Mr. M. Mallich of Peoples regarding offers received;
- Preparation on January 13, 2011 of a draft agreement of purchase and sale ("APS") to be provided to offerors, further discussions with Mr. Jensen regarding same and review of draft correspondence from Mr. Jensen to be sent to offerors;
- Correspondence on January 13, 2011 with Mr. Hall regarding an employee termination;
- Correspondence on January 17, 2011 with Diversicare regarding Ministry of Health and Long-Term Care ("MOH") funding;
- Review on January 17, 2011 of correspondence concerning an employee termination;
- Review on January 21 and 24, 2011 of offers received and correspondence with Mr. Jensen regarding same;
- Prepare on January 24, 2011 the monthly cash flow funding requested by Diversicare;
- Discussion on January 24, 2011 with Mr. Jensen regarding offers received and correspondence to Mr. Mallich regarding same;
- Prepare on January 25, 2011 a summary of offers received and provide same to Mr. Mallich;
- Discussion on January 25, 2011 with Mr. Mallich regarding offers received;
- Discussion on January 25, 2011 with Mr. Jensen regarding letter and other matters;
- Review on January 26, 2011 of correspondence from a potential purchaser and discuss same with Mr. Jensen;
- Correspondence on January 26, 2011 with Peoples regarding the status of offers received;
- Discussion on January 27, 2011 with Mr. Jensen regarding offers received;
- Execute on January 28, 2011 a letter of intent accepting the offer of an interested party;
- Discussion on January 28, 2011 with Mr. Jensen regarding the status and timing for completing an APS;
- Prepare on January 31, 2011 of correspondence to Mr. Harry VanderLugt of Gowling Lafleur Henderson LLP ("Gowlings") and Diversicare regarding information required to complete the APS;
- Review on January 31, 2011 of correspondence from Diversicare regarding CARF accreditation;
- Review and reconcile on February 2, 2011 the MOH funding for 2010 and advise Diversicare of same;

- Correspondence on February 7, 2011 with Mr. Hall regarding the 2011 budget;
- Prepare on February 8, 10, 11 and 14, 2011 the Sixth Report to Court (the "Report"); subsequent correspondence to Diversicare regarding operating information required for the Report;
- Review on February 10, 2011 of cash flow projections prepared by Diversicare and correspondence with Diversicare regarding same;
- Review on February 11, 2011 the draft Notice of Motion and provide comments on same to Mr. Clifton Prophet of Gowlings;
- Review on February 14, 2011 of correspondence from Ms. Laura White of Kronis, Rotsztain, Margles, Cappel LLP regarding the status of 4 Lantana Circle, St. Catharines;
- Review on February 14, 2011 a revised draft Motion Record and provide comments on same to Gowlings;
- Review on February 15, 2011, and respond to, correspondence from Mr. Hall regarding physical premises issues;
- Review on February 15, 2011 of comments received from Gowlings on the Report and discuss same with Mr. Prophet and finalize the Report;
- Prepare on February 16 and 17, 2011 schedules for the APS and forward same to Mr. VanderLugt;
- Review on February 17, 2011 of the operating statement for December 2010;
- Attendance on February 18, 2011 at a meeting at West Park to review the 2011 budget, discuss operational matters with the Administrator and Mr. Hall and tour the facility;
- Review on February 22, 2011 of a draft APS provided by Mr. VanderLugt and provide comments on same;
- Prepare on February 23, 2011 cash flow funding requested by Diversicare; discussion on February 23, 2011 with Gowlings regarding status of the APS and subsequent discussion with Mr. Jensen regarding same;
- Coordinate on February 24, 2011 a tour of the facility by the purchaser;
- Review correspondence on February 24, 2011 from Diversicare regarding a piping issue;
- Discussion on February 24, 2011 with Mr. Jensen regarding tour of West Park by the purchaser and other matters;
- Correspondence on February 25, 2011 regarding site plans for West Park and review of files for same;
- Correspondence on February 28, 2011 with Diversicare regarding entering into an agreement with Algonquin College for Registered Practical Nurse students;



1508669 Ontario Limited o/a West Park Health Centre

April 20, 2011

Page 4 of 4 – Invoice #30

- Correspondence on February 28, 2011 with Mr. VanderLugt regarding the APS; and
- To all other administrative matters with respect to the receivership, including all meetings/discussions, telephone attendances, written correspondence, review and execution of disbursements, verbal and written reporting to facilitate the foregoing.

**A detailed summary of hours and rates as follows:**

Staff	Hours	Hourly Rates	Total Fees
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	3.3	\$ 575.00	\$1,897.50
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	47.2	480.00	22,656.00
Rose Brown, Estate Administrator	<u>1.2</u>	160.00	<u>192.00</u>
<b>Total Hours</b>	<b><u>51.7</u></b>		
		Our Fee	\$24,745.50
		HST @ 13%	3,216.92
		<b>Amount Payable</b>	<b>\$27,962.42</b>

**Payable upon receipt to Deloitte & Touche Inc.**


Daniel R. Weisz, CA•CIRP, CIRP

Senior Vice President

#531377

## Private and Confidential

1508669 Ontario Limited o/a West Park Health Centre  
c/o Deloitte & Touche Inc.  
181 Bay Street  
Suite 1400  
Toronto, Ontario  
M5J 2V1

Date: May 26, 2011  
Invoice No: 2868391  
Client/Mandate No: 891066.1000000  
Billing Partner: Daniel R. Weisz

HST Registration No: 133245290

## Invoice #31

Regarding: 1508669 Ontario Limited ("1508669" or the "Company") –  
Receivership

To professional services rendered in connection with the appointment of  
Deloitte & Touche Inc. ("Deloitte") as Court-appointed Interim Receiver and  
Receiver and Manager ("Receiver") of 1508669 Ontario Limited o/a West  
Park Health Centre ("West Park") for the period March 1 to April 30, 2011,  
including:

- Review and respond on March 1, 2011 to correspondence from Mr. John Jensen of John A. Jensen Realty Inc. regarding the status of various matters;
- Prepare on March 2, 2011 an update on the status of operations and sale process for Mr. Eamonn O'Rafferty of Canada Mortgage and Housing Corporation ("CMHC");
- Prepare the Report of Receiver pursuant to section 246(2) of the Bankruptcy and Insolvency Act;
- Correspondence on March 7, 2011 with Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding information requested by the purchaser and respond to same;
- Review on March 7, 2011 of the revised budget and schedule of annual operating results for West Park;
- Correspondence on March 8, 2011 with Mr. Harry VanderLugt of Gowling Lafleur Henderson LLP ("Gowlings") regarding the status of the Agreement of Purchase and Sale ("APS");
- Review and respond on March 15, 2011 to correspondence from CMHC regarding anticipated surplus/deficit of funds by the closing date of the proposed transaction with the purchaser;

- Discussion on March 16, 2011 with Mr. VanderLugt regarding the status of the APS and the purchaser's comments thereon;
- Review on March 18, 2011 of revisions to the APS and correspondence with Mr. VanderLugt regarding contracts;
- Review on March 21 and 22, 2011 of the APS and provide comments to Gowlings;
- Review on March 22, 2011 of funds received from Ministry of Health and Long-Term Care ("MOH") and send e-mail to Diversicare regarding shortfall in funding;
- Review of March 23, 2011 of the operating results for January 2011;
- Review and respond on March 23, 2011 to correspondence from CMHC regarding the sales status and management fees;
- Review correspondence on March 23, 2011 from Mr. VanderLugt regarding the revised APS;
- Correspondence on March 24, 2011 with Mr. Martin Mallich of Peoples Trust Company ("Peoples") regarding the status of the APS and cash on hand;
- Correspondence on March 24, 2011 with Diversicare regarding MOH funding;
- Review on March 31, 2011 of the list of documents requested by the purchaser to conduct its due diligence, summarize same and forward same to Diversicare for compilation;
- Compile on March 31, 2011 documents for the purchaser's due diligence;
- Compile on April 1 and 5, 2011 documents for the purchaser's due diligence;
- Review correspondence on April 6 and 7, 2011 from Diversicare regarding water bill payments and forward same to Peoples;
- Review correspondence on April 6, 2011 from Diversicare regarding operational matters;
- Review on April 8, 2011 of the final APS and execute same;
- Review on April 11, 2011 of operating results for February 2011;
- Correspondence on April 11, 2011 with Ms. Laura White of Kronis, Rotsztein, Margles, Cappel LLP regarding the status of the sale of 4 Lantana Circle, St. Catharines and forward same to Mr. VanderLugt and Mr. Mallich;
- Prepare on April 13, 2011 an update on the status of operations and the sale process for Mr. Eamonn O'Rafferty of CMHC;
- Review on April 13, 2011 of key date schedule for the APS and confirm accuracy with Mr. VanderLugt;

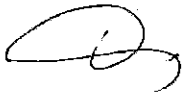
- Correspondence on April 14, 2011 with Mr. Eric Hall of Diversicare regarding door replacement and other matters;
- Correspondence on April 18, 2011 with Mr. Hall regarding employee matters;
- Discussion on April 18, 2011 with Mr. Sidney Joseph of AiMS Environmental regarding a proposal to prepare a Phase I Environmental Site Assessment Report ("ESA") for West Park;
- Review and execute on April 19, 2011 an offer letter of employment;
- Review and update on April 19, 2011 a summary of activities;
- Discussion on April 19, 2011 with Mr. O'Rafferty regarding the status of the sale process and provide a copy of the APS;
- Review of due diligence documents provided by Diversicare and prepare for purchaser on April 20, 2011;
- Review and execute on April 20, 2011 offer letters of employment;
- Review on April 21, 26 and 27, 2011 due diligence documents compiled by Diversicare, prepare same for purchaser and forward;
- Prepare on April 21, 2011 cash flow funding request for West Park;
- Review and execute on April 25, 2011 AiMS Environmental's proposal to prepare a Phase I ESA Report;
- Review and execute on April 26, 2011 an offer letter of employment;
- Correspondence on April 27, 2011 with Mr. Jensen regarding the status of various matters;
- Correspondence on April 28, 2011 with Diversicare regarding trust bank account disclosure requirements; and
- To all other administrative matters with respect to the receivership, including all meetings/discussions, telephone attendances, written correspondence, review and execution of disbursements, verbal and written reporting to facilitate the foregoing.

1508669 Ontario Limited o/a West Park Health Centre  
 May 26, 2011  
 Page 4 of 4 – Invoice #31

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	4.7	\$ 575.00	\$2,702.50
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	52.0	480.00	24,960.00
Rose Brown, Estate Administrator	<u>1.8</u>	160.00	<u>288.00</u>
<b>Total Hours</b>	<b><u>58.5</u></b>		
		Our Fee	\$27,950.50
		HST @ 13%	3,633.57
		<b>Amount Payable</b>	<b>\$31,584.07</b>

Payable upon receipt to Deloitte & Touche Inc.



Daniel R. Weisz, CA•CIRP, CIRP  
 Senior Vice President  
 #538041



Deloitte & Touche Inc.  
181 Bay Street  
Suite 1400  
Toronto, Ontario M5J 2V1  
Canada

Tel: 416-601-6150  
Fax: 416-601-6690  
www.deloitte.ca

### Private and Confidential

1508669 Ontario Limited o/a West Park Health Centre  
c/o Deloitte & Touche Inc.  
181 Bay Street  
Suite 1400  
Toronto, Ontario  
M5J 2V1

Date: September 1, 2011  
Invoice No: 2919573  
Client/Mandate No: 891066.1000000  
Billing Partner: Daniel R. Weisz

HST Registration No: 133245290

## Invoice #32

### Regarding: 1508669 Ontario Limited ("1508669" or the "Company") – Receivership

To professional services rendered in connection with the appointment of Deloitte & Touche Inc. ("Deloitte") as Court-appointed Interim Receiver and Receiver and Manager ("Receiver") of 1508669 Ontario Limited o/a West Park Health Centre ("West Park") for the period May 1 to June 30, 2011, including:

- Correspondence on May 3, 2011 with Mr. Martin Mallich of Peoples Trust Company ("Peoples") regarding the status of the sale process and request to complete MCAP information request;
- Forward on May 4, 2011 the 2011 budget and the Agreement of Purchase and Sale ("APS") to Mr. John Jensen of John A. Jensen Realty Inc.;
- Correspondence on May 4 and 5, 2011 with Ms. Pinky Lee of Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding due diligence materials requested by the purchaser under the APS (the "Purchaser");
- Review on May 5, 2011 of due diligence information prepared by Diversicare and forward same to Mr. Jensen;
- Complete on May 5, 2011 the MPAC information request and forward to MPAC;
- Correspondence on May 9, 2011 with Ms. Lee regarding the status of due diligence information requested by the Purchaser;
- Review on May 10, 2011 of operating results for March 2011;
- Review on May 11, 2011 of an Inspection Report forwarded by the Ministry of Health and Long-Term Care ("MOH");

- Prepare on May 11, 2011 further due diligence materials as requested by the Purchaser and forward to Mr. Jensen;
- Correspondence on May 11, 2011 with Mr. Eric Hall of Diversicare regarding records in storage at West Park;
- Correspondence on May 11, 2011 with Mr. Harry VanderLugt of Gowling Lafleur Henderson LLP regarding the APS;
- Review on May 13, 2011 of correspondence from the Purchaser regarding authorization forms to contact the Workplace Safety and Insurance Board ("WSIB");
- Correspondence on May 16, 2011 with Mr. Hall regarding quotes for a new air conditioning unit;
- Correspondence on May 17, 2011 with Mr. Hall regarding occupancy;
- Review on May 18, 2011 of operating results for April 2011;
- Review on May 19, 2011 of correspondence from Mr. Jensen regarding the Purchaser's request to extend the due diligence period and forward same with recommendation to Peoples and Canada Mortgage and Housing Corporation ("CMHC");
- Review on May 20, 2011 of the Phase I Environmental Site Assessment Report prepared for West Park and forward same to Mr. Jensen;
- Review correspondence on May 20, 2011 from Mr. John Nation of Peoples regarding the proposed extension of the due diligence period;
- Correspondence on May 24, 2011 Mr. Vanderlugt regarding the proposed amending agreement to extend the due diligence period;
- Review on May 25, 2011 the draft amendments to the APS;
- Correspondence on May 25, 2011 with Mr. Eamonn O'Rafferty of CMHC regarding the status of the sale process;
- Correspondence on May 30, 2011 with Mr. Jensen and Mr. VanderLugt regarding environmental matters;
- Correspondence on May 31, 2011 with Mr. Hall regarding West Park's asbestos management plan;
- Correspondence on May 31, 2011 with Mr. Jensen regarding the status of the due diligence information; compile additional due diligence information and forward to Mr. Jensen;
- Correspondence on May 31, 2011 with Mr. Jensen regarding asbestos management plan in response to the Purchaser's inquiry;
- Review and execute on June 1, 2011 an offer letter of employment;
- Correspondence on June 3, 2011 with Ms. Lee regarding City of St. Catharines municipal taxes;
- Discussion on June 6, 2011 with Mr. Jensen regarding the status of the

**Purchaser's due diligence;**

- Review on June 6, 2011 of proposed amending agreement to the APS and respond to Mr. VanderLugt regarding same;
- Review and respond on June 7, 2011 to correspondence from Mr. Jensen regarding historical occupancy statistics and causes of insolvency and respond to same;
- Correspondence on June 7, 2011 with Ms. Marjorie Mossman, Administrator of West Park, regarding the asbestos management plan;
- Correspondence on June 7, 2011 with Ms. Lee regarding historical occupancy statistics and forward same to Mr. Jensen;
- Prepare on June 8, 2011 additional due diligence information requested by the Purchaser;
- Review and respond on June 9, 2011 to various correspondence received from Mr. Jensen regarding due diligence materials;
- Review on June 9, 2011 an Inspection Report prepared by the MOH;
- Correspondence on June 12, 2011 with Mr. Jensen regarding the Purchaser's request for further due diligence information and forward same to Ms. Lee;
- Review on June 13, 2011 of due diligence information prepared by Diversicare and forward same to Mr. Jensen;
- Correspondence on June 13, 2011 with Peoples regarding timing for closing of sale;
- Correspondence on June 13, 2011 with Mr. Hall regarding the Inspection Report and status of compliance with same;
- Review and execute on June 14, 2011 an Amending Agreement to the APS;
- Discussion on June 15, 2011 with Mr. Jensen regarding the status of the Purchaser's due diligence review;
- Review on June 15, 2011 of correspondence from Ms. Lee regarding a cash flow funding request;
- Prepare on June 16, 2011 additional due diligence information as requested by the Purchaser;
- Correspondence on June 16, 2011 with Mr. Jensen regarding information requested by the Purchaser;
- Correspondence on June 17, 2011 with Mr. Jensen regarding the Purchaser's request for a meeting with West Park management;
- Review on June 20, 2011 the MOH inspection reports;
- Review on June 20, 2011 the due diligence request from Mr. Jensen and respond to same and arrange meetings between West Park management and the Purchaser;



1508669 Ontario Limited o/a West Park Health Centre

September 1, 2011

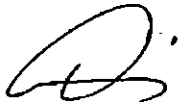
Page 4 of 5 – Invoice #32

- Correspondence on June 21, 2011 with Mr. Keith Foot of Ralph Moss Limited regarding employee benefit matters;
- Correspondence on June 22, 2011 with Mr. VanderLugt regarding providing the Purchaser with copies of utilities invoices;
- Review on June 24, 2011 of information requested by the Purchaser and request same of Diversicare, review Diversicare's response and forward same to Mr. Jensen;
- Review on June 27, 2011 of questions the Purchaser intends to ask of West Park management at a meeting to be held the following day and forward same to Ms. Mossman and Mr. Hall;
- Various discussions on June 27, 2011 with Mr. VanderLugt and Mr. Jensen regarding the Purchaser's request to engage Altus Group ("Altus") to prepare an appraisal of West Park and discussion with Mr. Sean McCrorie of Altus regarding same;
- Review on June 29, 2011 due diligence questions posed by the Purchaser and provide responses to Mr. Jensen;
- Correspondence on June 30, 2011 and discussion with Mr. Hall regarding the results of the management meeting with the Purchaser and the Purchaser's request for further information, provide responses to the Purchaser to various due diligence questions; and
- To all other administrative matters with respect to the receivership, including all meetings/discussions, telephone attendances, written correspondence, review and execution of disbursements, verbal and written reporting to facilitate the foregoing.

**A detailed summary of hours and rates as follows:**

<b>Staff</b>	<b>Hours</b>	<b>Hourly Rates</b>	<b>Total Fees</b>
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	1.2	\$ 575.00	\$690.00
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	37.4	480.00	17,952.00
Rose Brown, Estate Administrator	<u>0.8</u>	160.00	<u>128.00</u>
<b>Total Hours</b>	<b><u>39.4</u></b>		
		Our Fee	\$18,770.00
		HST @ 13%	2,440.10
		<b>Amount Payable</b>	<b>\$21,210.10</b>

**Payable upon receipt to Deloitte & Touche Inc.**



Daniel R. Weisz, CA•CIRP, CIRP  
Senior Vice President  
#540030

PEOPLES TRUST COMPANY

- and -

PARAGON HEALTH CARE INC. et al.

Court File No.: 06-CL-6233

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
(PROCEEDING COMMENCED AT TORONTO)

**AFFIDAVIT OF HARTLEY M. BRICKS**  
(Sworn October 31, 2011)

**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) 369-3509 / (416) 862-3609  
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

# TAB 4

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

**BETWEEN:**

**PEOPLES TRUST COMPANY**

**Applicant**

- and -

**PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED**

**Respondents**

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**AFFIDAVIT OF HARRY R. VANDERLUGT  
(Sworn October 31, 2011)**

---

I, **HARRY R. VANDERLUGT**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am a partner in the law firm of Gowling Lafleur Henderson LLP ("**Gowlings**"). I am the billing professional for billings related to Gowlings' retainer in respect of the receivership of Paragon Health Care Inc. ("**Paragon**"), Paragon Health Care (Ontario) Inc. ("**Paragon Ontario**") and 1508669 Ontario Limited ("**1508669**") and as such I have personal knowledge of the matters to which I hereinafter refer.
2. Pursuant to an order of this court dated January 23, 2006, Mintz & Partners Limited was appointed Receiver effective 9:00 am on January 24, 2006 (the "**Initial Order**"). By Order of the Court dated July 2, 2008, following the merger of the accounting practices of Deloitte & Touche LLP and Mintz & Partners LLP, the name of the Receiver was changed to Deloitte & Touche Inc. (the "**Receiver**").

- 2 -

3. Pursuant to the Initial Order, Gowlings has acted as counsel to the Receiver in its capacity as Interim Receiver and Receiver and Manager of the current and future assets, undertakings and properties of Paragon, Paragon Ontario and 1508669.

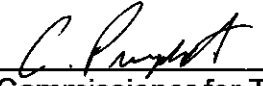
4. Gowlings has provided services and incurred disbursements in relation to the receivership of Paragon for the period from January 4, 2011 to May 18, 2011, as described in the Legal Costs Summary for the Paragon receivership and detailed invoices attached hereto as **Exhibit "A"** (the "**Paragon Dockets**"). The Paragon Dockets have been redacted where they reference information subject to privilege.

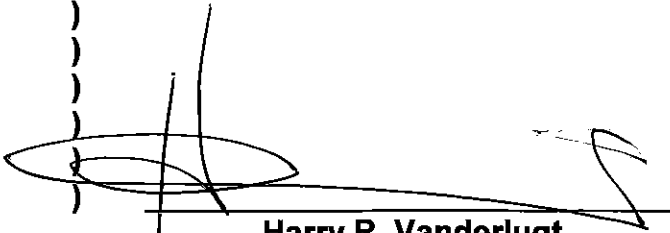
5. Gowlings has also provided services and incurred disbursements in relation to the receivership of 1508669 for the period from January 13, 2011 to September 28, 2011, as described in the Legal Costs Summary for the 1508669 receivership and detailed invoices attached hereto as **Exhibit "B"** (the "**1508669 Dockets**"). The 1508669 Dockets have been redacted where they reference information subject to privilege.

6. Based on my review of both the Paragon Dockets and the 1508669 Dockets and my personal knowledge of this matter, the Paragon Dockets and the 1508669 Dockets represent a fair and accurate description of the services provided and the amounts charged by Gowlings.

7. I swear this affidavit in support of the Receiver's Motion for, among other things, approval of its fees and disbursements and those of its counsel and for no other or improper purpose.


**SWORN** before me at the City of  
Toronto, in the Province of Ontario,  
on October 31, 2011.

  
\_\_\_\_\_  
Commissioner for Taking Affidavits  
*Clifton P. Prophet*

  
\_\_\_\_\_  
Harry R. Vanderlugt

# TAB A

THIS IS EXHIBIT "A" TO THE  
AFFIDAVIT OF HARRY R.  
VANDERLUGT SWORN BEFORE  
ME THIS 31st DAY OF October,  
2011.

A handwritten signature in cursive script, appearing to read "C. Puget", written over a horizontal line.

A Commissioner, etc.



## Exhibit "A"

**LEGAL COSTS SUMMARY**  
**Receivership of Paragon Health Care Inc.**

<b>LAWYER</b>	<b>YEAR OF CALL</b>	<b>HOURLY RATE 2011</b>
<b>Harry VanderLugt</b>	<b>1972</b>	<b>\$675.00</b>
<b>Clifton Prophet</b>	<b>1993</b>	<b>\$725.00</b>
<b>Lisa Forestieri</b>	<b>Law Clerk</b>	<b>\$200.00</b>

<b>SUMMARY OF ACCOUNTS</b>					
<b>No.</b>	<b>Date of Account</b>	<b>Fees</b>	<b>Disbursements</b>	<b>HST</b>	<b>Total</b>
<b>1.</b>	<b>February 9, 2011</b>	<b>\$810.00</b>	<b>\$3.25</b>	<b>\$105.72</b>	<b>\$918.97</b>
<b>2.</b>	<b>March 16, 2011</b>	<b>\$13,065.00</b>	<b>\$2,090.14</b>	<b>\$1,970.17</b>	<b>\$17,125.31</b>
<b>3.</b>	<b>April 8, 2011</b>	<b>\$2,125.00</b>	<b>\$211.75</b>	<b>\$287.27</b>	<b>\$2,624.02</b>
<b>4.</b>	<b>June 13, 2011</b>	<b>\$2,972.50</b>	<b>\$0.00</b>	<b>\$386.43</b>	<b>\$3,358.93</b>
<b>TOTAL</b>		<b>\$18,972.50</b>	<b>\$2,305.14</b>	<b>\$2,749.59</b>	<b>\$24,027.23</b>
<b>Average Hourly Rate – Before HST</b>		<b>Total fees before GST \$18,972.50 ÷ Total hours of 27.9 = \$680.02</b>			
<b>TOTAL</b>		<b>\$24,027.23</b>			



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Deloitte & Touche Inc.  
Attention: Daniel Weisz, Senior Vice President  
Brookfield Place  
181 Bay Street, Suite 1400  
Toronto ON M5J 2V1

June 13, 2011  
INVOICE: 17251723

Our Matter: T958690 / 121969  
RE: Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto

**TO OUR FEE:**

Fees for Professional Services	\$2,972.50
HST on Fees	386.43
<b>Total Fees and Taxes</b>	<b>3,358.93</b>

**TOTAL INVOICE BALANCE:**

Total for this Invoice	3,358.93
[ Total HST: \$386.43 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars <u>\$3,358.93</u></b>

**GOWLING LAFLEUR HENDERSON LLP**

PER \_\_\_\_\_  
Harry R. VanderLugt

terms: due upon receipt  
Interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

June 13, 2011  
INVOICE: 17251723

**Mintz & Partners Limited**  
**Our Matter: T958690**  
**Receivership of Paragon Health Care Inc. t/a Casa Verde**  
**Health Centre 3585 Keele Street, Toronto**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>
03/05/2011	0.10	Cliff Prophet	Review of e-mail from H. Manis;
04/05/2011	0.40	Cliff Prophet	Call with D. Weisz re response to H. Manis re commission claim on sale of Casa Verde;
05/05/2011	0.60	Cliff Prophet	Dictate letter in response to H. Manis claims for commission on sale of Casa Verde;
17/05/2011	0.30	Cliff Prophet	[REDACTED] claims of real estate broker;
18/05/2011	2.70	Cliff Prophet	Prepare and deliver letter to H. Manis, counsel for real estate broker, re claims to commission; [REDACTED].

**Total Fees for Professional Services**

**\$2,972.50**

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice  
errors and omissions excluded

June 13, 2011  
INVOICE: 17251723

**Remittance Copy**

Client: 121969 Mintz & Partners Limited  
Matter: T958690  
RE: Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto  
Amount Due: \$3,358.93

**PAYMENT BY CHEQUE:**

**Please return this page with your payment payable to Gowling Lafleur Henderson LLP**

**Remit to:** Gowling Lafleur Henderson LLP  
1 First Canadian Place  
Suite 1600  
100 King Street W  
Toronto, ON M5X 1G5  
Canada

**PAYMENT BY WIRE TRANSFER:**

**Pay by Swift MT 103 Direct to:**  
**SWIFTCODE:** CIBCCATT  
**BENEFICIARY BANK:** Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
**TRANSIT NUMBER:** 0010-00002  
**BENEFICIARY ACCOUNT NAME:** Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**

USD BOFAUS3N (ABA 026009593)

\* if paying by wire or EFT please e-mail the remittance details to [payments.toronto@gowlings.com](mailto:payments.toronto@gowlings.com)





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Deloitte & Touche Inc.  
Attention: Daniel Weisz, Senior Vice President  
Brookfield Place  
181 Bay Street, Suite 1400  
Toronto ON M5J 2V1

April 8, 2011  
INVOICE: 17211602

Our Matter: T958690 / 121969

RE: Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto

**TO OUR FEE:**

Fees for Professional Services	\$2,125.00
HST on Fees	276.25
<b>Total Fees and Taxes</b>	<b>2,401.25</b>

**DISBURSEMENTS:**

Disbursements (Taxable)	84.75
Disbursements (Non-Taxable)	127.00
HST on Disbursements	11.02
<b>Total Disbursements and Taxes</b>	<b>222.77</b>

**TOTAL INVOICE BALANCE:**

Total for this Invoice	2,624.02
[ Total HST: \$287.27 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars</b>
	<b>\$2,624.02</b>

**GOWLING LAFLEUR HENDERSON LLP**

PER

Harry R. VanderLugt

terms: due upon receipt

Interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

Gowling Lafleur Henderson LLP · Lawyers · Patent and Trade-mark Agents

page 1 of 3

1 First Canadian Place · 100 King Street West · Suite 1600 · Toronto · Ontario · M5X 1G5 · Canada · T 416-862-7525 · F 416-862-7661 · gowlings.com

April 8, 2011  
INVOICE: 17211602

**Mintz & Partners Limited**  
**Our Matter: T958690**  
**Receivership of Paragon Health Care Inc. t/a Casa Verde**  
**Health Centre 3585 Keele Street, Toronto**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>
15/03/2011	0.50	Harry R. VanderLugt	E-message purchaser solicitor x2; draft amending agreement No. 2; add re assignment consent
16/03/2011	0.30	Harry R. VanderLugt	[REDACTED] re psche agreement status; e-message from and to solicitor re dates; receive signed counterpart
21/03/2011	0.20	Cliff Prophet	[REDACTED] insurers' reservation of rights letter for the Moran claim;
21/03/2011	0.20	Harry R. VanderLugt	Review agreement of purchase and sale [REDACTED] Moran claim
22/03/2011	1.50	Cliff Prophet	Prepare letter to H. Manis re commission claims of agent who was not retained by receiver;
23/03/2011	0.30	Cliff Prophet	Revisions to letter to H. Manis re agent claims;

**Total Fees for Professional Services** **\$2,125.00**

**DISBURSEMENTS**

**Non-Taxable Costs**

19/02/2011	Court Filing Fees - Non Taxable	\$127.00
	VENDOR: Reliable Process Servers Inc.; INVOICE#: 45851;	
	DATE: 02/19/2011 - T958687; Urgent rush; Motion record; Court filing fee; 1892	
	<b>Total Non-Taxable Disbursements</b>	<b><u>\$127.00</u></b>

**Taxable Costs**

	Scanning Service	\$3.50
	Postage	\$1.25
19/02/2011	Process Servers	\$80.00
	VENDOR: Reliable Process Servers Inc.; INVOICE#: 45851;	
	DATE: 02/19/2011 - T958687; Urgent rush; Motion record; 1892	
	<b>Total Taxable Disbursements</b>	<b><u>\$84.75</u></b>

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

April 8, 2011  
INVOICE: 17211602

**Remittance Copy**

Client: 121969 Mintz & Partners Limited  
Matter: T958690  
RE: Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto  
Amount Due: \$2,624.02

**PAYMENT BY CHEQUE:**

**Please return this page with your payment payable to Gowling Lafleur Henderson LLP**

Remit to: Gowling Lafleur Henderson LLP  
1 First Canadian Place  
Suite 1600  
100 King Street W  
Toronto, ON M5X 1G5  
Canada

**PAYMENT BY WIRE TRANSFER:**

Pay by Swift MT 103 Direct to:  
SWIFTCODE: CIBCCATT  
  
BENEFICIARY BANK: Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
  
TRANSIT NUMBER: 0010-00002  
  
BENEFICIARY ACCOUNT NAME: Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
  
BENEFICIARY ACCOUNT NUMBER(S): CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**

USD BOFAUS3N (ABA 026009593)

\* if paying by wire or EFT please e-mail the remittance details to [payments.toronto@gowlings.com](mailto:payments.toronto@gowlings.com)







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Deloitte & Touche Inc.  
Attention: Daniel Weisz, Senior Vice President  
Brookfield Place  
181 Bay Street, Suite 1400  
Toronto ON M5J 2V1

March 16, 2011  
INVOICE: 17195647

Our Matter: T958690 / 121969

RE: Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto

**TO OUR FEE:**

Fees for Professional Services	\$13,065.00
HST on Fees	1,698.45
<b>Total Fees and Taxes</b>	<b>14,763.45</b>

**DISBURSEMENTS:**

Disbursements (Taxable)	2,090.14
HST on Disbursements	271.72
<b>Total Disbursements and Taxes</b>	<b>2,361.86</b>

**TOTAL INVOICE BALANCE:**

Total for this Invoice	17,125.31
[ Total HST: \$1,970.17 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars <u>\$17,125.31</u></b>

**GOWLING LAFLEUR HENDERSON LLP**

PER

Harry R. VanderLugt

terms: due upon receipt

Interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

Gowling Lafleur Henderson LLP - Lawyers - Patent and Trade-mark Agents

page 1 of 4

1. First Canadian Place · 100 King Street West · Suite 1600 · Toronto · Ontario · M5X 1G5 · Canada · T 416-862-7525 · F 416-862-7661 · [gowlings.com](http://gowlings.com)

March 16, 2011  
INVOICE: 17195647

**Mintz & Partners Limited**  
**Our Matter: T958690**  
**Receivership of Paragon Health Care Inc. t/a Casa Verde**  
**Health Centre 3585 Keele Street, Toronto**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>
07/02/2011	2.80	Cliff Prophet	Preparation of motion materials for approval of sale of Casa Verde to Gem;
07/02/2011	0.30	Harry R. VanderLugt	E-message purchaser solicitor re court application date and form of order; review preparation with C.Prophet; [REDACTED]
08/02/2011	2.70	Cliff Prophet	Further work on motion materials for GEM sale approval;
09/02/2011	0.50	Harry R. VanderLugt	Parties and materials for court application; Update service list
10/02/2011	0.40	Harry R. VanderLugt	Review draft court materials and provide additions and comments
11/02/2011	0.20	Cliff Prophet	[REDACTED] receiver's report and motion materials;
14/02/2011	1.80	Lisa Forestieri	Meeting with C. Prophet regarding legal costs summary / summary of accounts for upcoming motion; reviewing accounts and preparing summary of accounts for exhibit "A" and exhibit "B"; discussion with C. Prophet regarding finalized calculations;
14/02/2011	1.70	Cliff Prophet	Preparation of motion materials re approval of GEM sale;
14/02/2011	0.50	Harry R. VanderLugt	Review parts of materials for court application; complete and swear affidavit re solicitors fees
15/02/2011	2.20	Cliff Prophet	Further work on sale approval motion materials; revisions to report to the court;
15/02/2011	0.30	Harry R. VanderLugt	Review draft report [REDACTED]
15/02/2011	0.30	Harry R. VanderLugt	Review draft report and materials; provide information to complete
16/02/2011	0.50	Harry R. VanderLugt	Review MOH licence transfer filing and timing; review surrender and other documents held by PTC [REDACTED]
17/02/2011	0.70	Harry R. VanderLugt	Telephone attendance with purchaser's solicitor x2 re addition of Coin A matic to vesting order; review contract and registered notice; letter to solicitor with undertaking to remove from title at closing
18/02/2011	0.90	Cliff Prophet	Complete notice of motion and draft orders re: sale approval;
22/02/2011	3.30	Cliff Prophet	Prepare for and attend in Court for distribution order and approval and vesting order;
23/02/2011	0.50	Harry R. VanderLugt	E-message re agreement x2 with purchaser solicitor; MOH notice and related items; commission claim

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

March 16, 2011  
INVOICE: 17195647

**Total Fees for Professional Services**

**\$13,065.00**

**DISBURSEMENTS**

**Taxable Costs**

Copying	\$1,543.50
Scanning Service	\$40.75
Binding	\$208.80
Courier	\$279.09
TeraView (Ontario) Online Searches & Registration - Taxable	\$18.00
<b>Total Taxable Disbursements</b>	<b><u>\$2,090.14</u></b>

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

March 16, 2011  
INVOICE: 17195647

**Remittance Copy**

Client: 121969 Mintz & Partners Limited  
Matter: T958690  
RE: Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto  
Amount Due: \$17,125.31

**PAYMENT BY CHEQUE:**

**Please return this page with your payment payable to Gowling Lafleur Henderson LLP**

**Remit to:** Gowling Lafleur Henderson LLP  
1 First Canadian Place  
Suite 1600  
100 King Street W  
Toronto, ON M5X 1G5  
Canada

**PAYMENT BY WIRE TRANSFER:**

**Pay by Swift MT 103 Direct to:**  
**SWIFTCODE:** CIBCCATT  
**BENEFICIARY BANK:** Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
**TRANSIT NUMBER:** 0010-00002  
**BENEFICIARY ACCOUNT NAME:** Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**

USD BOFAUS3N (ABA 026009593)

\* if paying by wire or EFT please e-mail the remittance details to [payments.toronto@gowlings.com](mailto:payments.toronto@gowlings.com)

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded





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Deloitte & Touche Inc.  
Attention: Daniel Weisz, Senior Vice President  
Brookfield Place  
181 Bay Street, Suite 1400  
Toronto ON M5J 2V1

February 9, 2011  
INVOICE: 17174102

Our Matter: T958690 / 121969  
RE: Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto

**TO OUR FEE:**

Fees for Professional Services	\$810.00
HST on Fees	105.30
<b>Total Fees and Taxes</b>	<b>915.30</b>

**DISBURSEMENTS:**

Disbursements (Taxable)	3.25
HST on Disbursements	0.42
<b>Total Disbursements and Taxes</b>	<b>3.67</b>

**TOTAL INVOICE BALANCE:**

Total for this Invoice	918.97
[ Total HST: \$105.72 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars</b>
	<b><u>\$918.97</u></b>

**GOWLING LAFLEUR HENDERSON LLP**

PER \_\_\_\_\_  
Harry R. VanderLugt

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

page 1 of 3

February 9, 2011  
INVOICE: 17174102

**Mintz & Partners Limited**  
**Our Matter: T958690**  
**Receivership of Paragon Health Care Inc. t/a Casa Verde**  
**Health Centre 3585 Keele Street, Toronto**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>
04/01/2011	0.30	Harry R. VanderLugt	Solicitor Requests re due diligence; updated ESA Ph I
24/01/2011	0.60	Harry R. VanderLugt	[REDACTED], e-message from purchaser solicitor waiving condition; responses and report ; arrange next steps
26/01/2011	0.30	Harry R. VanderLugt	E-message purchaser solicitor x2; process second deposit

**Total Fees for Professional Services** **\$810.00**

**DISBURSEMENTS**

**Taxable Costs**

Scanning Service	\$0.75
Fax Charges	\$2.50
<b>Total Taxable Disbursements</b>	<b><u>\$3.25</u></b>

terms: due upon receipt  
Interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded



February 9, 2011  
INVOICE: 17174102

**Remittance Copy**

Client: 121969 Mintz & Partners Limited  
Matter: T958690  
RE: Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto  
Amount Due: \$918.97

**PAYMENT BY CHEQUE:**

**Please return this page with your payment payable to Gowling Lafleur Henderson LLP**

**Remit to:** Gowling Lafleur Henderson LLP  
1 First Canadian Place  
Suite 1600  
100 King Street W  
Toronto, ON M5X 1G5  
Canada

**PAYMENT BY WIRE TRANSFER:**

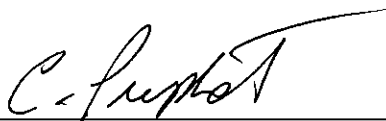
**Pay by Swift MT 103 Direct to:**  
**SWIFTCODE:** CIBCCATT  
**BENEFICIARY BANK:** Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
**TRANSIT NUMBER:** 0010-00002  
**BENEFICIARY ACCOUNT NAME:** Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**  
USD BOFAUS3N (ABA 026009593)

\* if paying by wire or EFT please e-mail the remittance details to [payments.toronto@gowlings.com](mailto:payments.toronto@gowlings.com)

# TAB B

THIS IS EXHIBIT "B" TO THE  
AFFIDAVIT OF HARRY R.  
VANDERLUGT SWORN BEFORE  
ME THIS 31st DAY OF October,  
2011.

A handwritten signature in cursive script, appearing to read "C. F. [unclear]", written over a horizontal line.

A Commissioner, etc.

## Exhibit "B"

**LEGAL COSTS SUMMARY**  
**Receivership of 1508669 Ontario Limited**

LAWYER	YEAR OF CALL	HOURLY RATE 2011
Harry VanderLugt	1972	\$675.00
Clifton Prophet	1993	\$625.00
Hilary Chancey	Law Clerk	\$235.00

SUMMARY OF ACCOUNTS					
No.	Date of Account	Fees	Disbursements	GST / HST	Total
1.	March 16, 2011	\$2,565.00	\$21.28	\$336.22	\$2,922.50
2.	April 8, 2011	\$2,295.00	\$94.78	\$310.67	\$2,700.45
3.	May 9, 2011	\$810.00	\$36.88	\$110.09	\$956.97
4.	June 13, 2011	\$1,350.00	\$7.20	\$176.44	\$1,533.64
5.	July 7, 2011	\$1,037.50	\$0.00	\$134.88	\$1,172.38
6.	August 5, 2011	\$310.00	\$36.50	\$40.37	\$386.87
7.	August 5, 2011	\$280.00	\$0.00	\$36.40	\$316.40
8.	September 19, 2011	\$3,337.50	\$1.68	\$434.10	\$3,773.28
9.	October 11, 2011	\$275.00	\$0.00	\$35.75	\$310.75
<b>TOTAL</b>		<b>\$12,260.00</b>	<b>\$198.32</b>	<b>\$1,614.92</b>	<b>\$14,073.24</b>
<b>Average Hourly Rate – Before GST</b>		<b>Total fees before GST \$12,260.00 ÷ Total hours of 18.4 = \$666.30</b>			
<b>TOTAL</b>		<b>\$14,073.24</b>			



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Deloitte & Touche LLP  
ATTN: Dan Weisz  
Senior Vice President  
Brookfield Place  
181 Bay Street  
Suite 1400  
Toronto ON M5J 2V1

October 11, 2011  
INVOICE: 17330747

Our Matter: T958691.1 / 90669  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.

---

**TO OUR FEE:**

Fees for Professional Services	\$275.00
HST on Fees	35.75
<b>Total Fees and Taxes</b>	<b>310.75</b>

**TOTAL INVOICE BALANCE:**

Total for this Invoice	310.75
[ Total HST: \$35.75 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars</b>
	<b><u>310.75</u></b>

**GOWLING LAFLEUR HENDERSON LLP**

PER \_\_\_\_\_  
Harry R. VanderLugt


terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

October 11, 2011  
INVOICE: 17330747

Deloitte & Touche LLP  
Our Matter: T958691.1  
Receivership of 1508669 Ontario Limited t/a West Park  
Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its  
general partner SIPGP No. 1 Inc.

**PROFESSIONAL SERVICES**

Date	Hours	Timekeeper	Description
05/09/2011	0.30	Harry R. VanderLugt	Review issues re price and agreement revisions
28/09/2011	0.10	Cliff Prophet	

**Total Fees for Professional Services**

**\$275.00**

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

October 11, 2011  
INVOICE: 17330747

**Remittance Copy**

Client: 90669 Deloitte & Touche LLP  
Matter: T958691.1  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.  
Amount Due: \$310.75

**PAYMENT BY CHEQUE:**

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**Remit to:** Gowling Lafleur Henderson LLP  
1 First Canadian Place  
Suite 1600  
100 King Street W  
Toronto, ON M5X 1G5  
Canada

**PAYMENT BY WIRE TRANSFER:**

**Pay by Swift MT 103 Direct to:**  
**SWIFTCODE:** CIBCCATT  
**BENEFICIARY BANK:** Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
**TRANSIT NUMBER:** 0010-00002  
**BENEFICIARY ACCOUNT NAME:** Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**

USD BOFAUS3N (ABA 026009593)

\* if paying by wire or EFT please e-mail the remittance details to [payments.toronto@gowlings.com](mailto:payments.toronto@gowlings.com)

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errors and omissions excluded







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Deloitte & Touche LLP  
ATTN: Dan Weisz  
Senior Vice President  
Brookfield Place  
181 Bay Street  
Suite 1400  
Toronto ON M5J 2V1

September 19, 2011  
INVOICE: 17313830

Our Matter: T958691.1 / 90669  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.

**TO OUR FEE:**

Fees for Professional Services	\$3,337.50
HST on Fees	433.88
<b>Total Fees and Taxes</b>	<b>3,771.38</b>

**DISBURSEMENTS:**

Disbursements (Taxable)	1.68
HST on Disbursements	0.22
<b>Total Disbursements and Taxes</b>	<b>1.90</b>

**TOTAL INVOICE BALANCE:**

Total for this Invoice	3,773.28
[ Total HST: \$434.10 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars 3,773.28</b>

**GOWLING LAFLEUR HENDERSON LLP**

PER \_\_\_\_\_  
Harry R. VanderLugt

terms: due upon receipt  
Interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this Invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

September 19, 2011  
INVOICE: 17313830

**Deloitte & Touche LLP**  
**Our Matter: T958691.1**  
**Receivership of 1508669 Ontario Limited t/a West Park**  
**Health Centre**  
**103-111 Pelham, St. Catharines**  
**Re: Sale to Southbridge Investment Partnership No. 1 by its**  
**general partner SIPGP No. 1 Inc.**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>
10/08/2011	0.30	Harry R. VanderLugt	Issues re due diligence, adjustment, extension-review and e-messages
11/08/2011	0.30	Harry R. VanderLugt	Extension and price adjustment agreement matters
15/08/2011	0.30	Cliff Prophet	E-mail to solicitors for purchaser re motion date;
15/08/2011	0.50	Harry R. VanderLugt	[REDACTED] and telephone attendance with D. Kuiper re extension terms, deal price adjustment and process
18/08/2011	0.50	Harry R. VanderLugt	Review amending agreement and proposal and related materials
24/08/2011	0.20	Harry R. VanderLugt	[REDACTED] re proposed amendments
25/08/2011	0.30	Cliff Prophet	Review and comment on proposed changes to asset purchase agreement;
25/08/2011	0.70	Harry R. VanderLugt	Review and consider proposed amendments [REDACTED] [REDACTED] e-message D. Kuiper
29/08/2011	1.60	Harry R. VanderLugt	[REDACTED], revise amending agreement
31/08/2011	0.20	Harry R. VanderLugt	E-messages; extension agreement

**Total Fees for Professional Services** \$3,337.50

**DISBURSEMENTS**

**Taxable Costs**

Long Distance Telephone \$1.68

**Total Taxable Disbursements** \$1.68

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

September 19, 2011  
INVOICE: 17313830

**Remittance Copy**

Client: 90669 Deloitte & Touche LLP  
Matter: T958691.1  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.  
Amount Due: \$3,773.28

**PAYMENT BY CHEQUE:**

**Please return this page with your payment payable to Gowling Lafleur Henderson LLP**

**Remit to:** Gowling Lafleur Henderson LLP  
1 First Canadian Place  
Suite 1600  
100 King Street W  
Toronto, ON M5X 1G5  
Canada

**PAYMENT BY WIRE TRANSFER:**

**Pay by Swift MT 103 Direct to:**  
**SWIFTCODE:** CIBCCATT  
**BENEFICIARY BANK:** Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
**TRANSIT NUMBER:** 0010-00002  
**BENEFICIARY ACCOUNT NAME:** Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**  
USD BOFAUS3N (ABA 026009593)

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Deloitte & Touche LLP  
ATTN: Dan Weisz  
Senior Vice President  
Brookfield Place  
181 Bay Street  
Suite 1400  
Toronto ON M5J 2V1

August 5, 2011  
INVOICE: 17290461

Our Matter: T958691.1 / 90669  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.

---

**TO OUR FEE:**

Fees for Professional Services	\$280.00
HST on Fees	36.40
<b>Total Fees and Taxes</b>	<b>316.40</b>

**TOTAL INVOICE BALANCE:**

Total for this Invoice	316.40
[ Total HST: \$36.40 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars</b>
	<b><u><u>\$316.40</u></u></b>

**GOWLING LAFLEUR HENDERSON LLP**

PER \_\_\_\_\_  
Harry R. VanderLugt

terms: due upon receipt  
Interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

August 5, 2011  
INVOICE: 17290461

**Deloitte & Touche LLP**  
**Our Matter: T958691.1**  
**Receivership of 1508669 Ontario Limited t/a West Park**  
**Health Centre**  
**103-111 Pelham, St. Catharines**  
**Re: Sale to Southbridge Investment Partnership No. 1 by its**  
**general partner SIPGP No. 1 Inc.**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>	
14/07/2011	0.20	Harry R. VanderLugt	E-message and agreement re extension	
15/07/2011	0.20	Cliff Prophet	Call with lawyer for purchaser re adjournment of hearing date for sale approval;	
<b>Total Fees for Professional Services</b>				<b><u>\$280.00</u></b>

terms: due upon receipt  
Interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

August 5, 2011  
INVOICE: 17290461

**Remittance Copy**

Client: 90669 Deloitte & Touche LLP  
Matter: T958691.1  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.  
Amount Due: \$316.40

**PAYMENT BY CHEQUE:**

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100 King Street W  
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SWIFTCODE: CIBCCATT  
  
BENEFICIARY BANK: Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
  
TRANSIT NUMBER: 0010-00002  
  
BENEFICIARY ACCOUNT NAME: Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
  
BENEFICIARY ACCOUNT NUMBER(S): CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**  
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errors and omissions excluded







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Deloitte & Touche Inc.  
Attention: Daniel Weisz, Senior Vice President  
Brookfield Place  
181 Bay Street, Suite 1400  
Toronto ON M5J 2V1

August 5, 2011  
INVOICE: 17290447

Our Matter: T958691 / 121969  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre 103-111 Pelham Road, St. Catharines

#### TO OUR FEE:

Fees for Professional Services	\$310.00
HST on Fees	40.30
<b>Total Fees and Taxes</b>	<b>350.30</b>

#### DISBURSEMENTS:

Disbursements (Taxable)	0.50
Disbursements (Non-Taxable)	36.00
HST on Disbursements	0.07
<b>Total Disbursements and Taxes</b>	<b>36.57</b>

#### TOTAL INVOICE BALANCE:

Total for this Invoice	386.87
[ Total HST: \$40.37 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars <u>\$386.87</u></b>

#### GOWLING LAFLEUR HENDERSON LLP

PER

Harry R. VanderLugt

terms: due upon receipt

Interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

Gowling Lafleur Henderson LLP · Lawyers · Patent and Trade-mark Agents

1 First Canadian Place · 100 King Street West · Suite 1600 · Toronto · Ontario · M5X 1G5 · Canada · T 416-862-7525 · F 416-862-7661 · [gowlings.com](http://gowlings.com)

August 5, 2011  
INVOICE: 17290447

**Mintz & Partners Limited**  
**Our Matter: T958691**  
**Receivership of 1508669 Ontario Limited t/a West Park**  
**Health Centre 103-111 Pelham Road, St. Catharines**

**PROFESSIONAL SERVICES**

Date	Hours	Timekeeper	Description
15/07/2011	0.30	Harry R. VanderLugt	[REDACTED], draft renewal form; report on registration;
19/07/2011	0.50	Hilary Chancey	Paragon Health Care Inc. - attendance to file financing statement renewal;

**Total Fees for Professional Services** \$310.00

**DISBURSEMENTS**

**Non-Taxable Costs**

PPSA Registration \$36.00

**Total Non-Taxable Disbursements** \$36.00

**Taxable Costs**

Scanning Service \$0.50

**Total Taxable Disbursements** \$0.50

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

August 5, 2011  
INVOICE: 17290447

**Remittance Copy**

Client: 121969 Mintz & Partners Limited  
Matter: T958691  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre 103-111 Pelham Road, St. Catharines  
Amount Due: \$386.87

**PAYMENT BY CHEQUE:**

**Please return this page with your payment payable to Gowling Lafleur Henderson LLP**

**Remit to:** Gowling Lafleur Henderson LLP  
1 First Canadian Place  
Suite 1600  
100 King Street W  
Toronto, ON M5X 1G5  
Canada

**PAYMENT BY WIRE TRANSFER:**

**Pay by Swift MT 103 Direct to:**  
**SWIFTCODE:** CIBCCATT  
  
**BENEFICIARY BANK:** Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
  
**TRANSIT NUMBER:** 0010-00002  
  
**BENEFICIARY ACCOUNT NAME:** Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**

USD BOFAUS3N (ABA 026009593)

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errors and omissions excluded





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Deloitte & Touche LLP  
ATTN: Dan Weisz  
Senior Vice President  
Brookfield Place  
181 Bay Street  
Suite 1400  
Toronto ON M5J 2V1

July 7, 2011  
INVOICE: 17273906

Our Matter: T958691.1 / 90669  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.

**TO OUR FEE:**

Fees for Professional Services	\$1,037.50
HST on Fees	134.88
<b>Total Fees and Taxes</b>	<b>1,172.38</b>

**TOTAL INVOICE BALANCE:**

Total for this Invoice	1,172.38
[ Total HST: \$134.88 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars</b>
	<b><u>\$1,172.38</u></b>

**GOWLING LAFLEUR HENDERSON LLP**

PER \_\_\_\_\_  
Harry R. VanderLugt

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

July 7, 2011  
INVOICE: 17273906

**Deloitte & Touche LLP**  
**Our Matter: T958691.1**  
**Receivership of 1508669 Ontario Limited t/a West Park**  
**Health Centre**  
**103-111 Pelham, St. Catharines**  
**Re: Sale to Southbridge Investment Partnership No. 1 by its**  
**general partner SIPGP No. 1 Inc.**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>
08/06/2011	0.60	Harry R. VanderLugt	adjusting key dates after due diligence extension; revise and forward amending agreement for signing; e-messages re additional inspection authorizations and reports
16/06/2011	0.40	Harry R. VanderLugt	E-message purchaser solicitor x2 re agreement items, court order etc; and review agreement re obligation to provide Renewal Report
21/06/2011	0.50	Cliff Prophet	Calls with purchaser; call with Commercial List; instructions re request form; call to union counsel; Booking date with Commercial List Office; call from office

**Total Fees for Professional Services**

**\$1,037.50**

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

July 7, 2011  
INVOICE: 17273906

**Remittance Copy**

Client: 90669 Deloitte & Touche LLP  
Matter: T958691.1  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.  
Amount Due: \$1,172.38

**PAYMENT BY CHEQUE:**

**Please return this page with your payment payable to Gowling Lafleur Henderson LLP**

**Remit to:** Gowling Lafleur Henderson LLP  
1 First Canadian Place  
Suite 1600  
100 King Street W  
Toronto, ON M5X 1G5  
Canada

**PAYMENT BY WIRE TRANSFER:**

**Pay by Swift MT 103 Direct to:**  
**SWIFTCODE:** CIBCCATT  
**BENEFICIARY BANK:** Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
**TRANSIT NUMBER:** 0010-00002  
**BENEFICIARY ACCOUNT NAME:** Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**  
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errors and omissions excluded







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Deloitte & Touche LLP  
ATTN: Dan Weisz  
Senior Vice President  
Brookfield Place  
181 Bay Street  
Suite 1400  
Toronto ON M5J 2V1

June 13, 2011  
INVOICE: 17251740

Our Matter: T958691.1 / 90669  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.

#### TO OUR FEE:

Fees for Professional Services	\$1,350.00
HST on Fees	175.50
<b>Total Fees and Taxes</b>	<b>1,525.50</b>

#### DISBURSEMENTS:

Disbursements (Taxable)	7.20
HST on Disbursements	0.94
<b>Total Disbursements and Taxes</b>	<b>8.14</b>

#### TOTAL INVOICE BALANCE:

Total for this Invoice	1,533.64
[ Total HST: \$176.44 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars</b>
	<b><u>\$1,533.64</u></b>

#### GOWLING LAFLEUR HENDERSON LLP

PER \_\_\_\_\_  
Harry R. VanderLugt

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

June 13, 2011  
INVOICE: 17251740

**Deloitte & Touche LLP**  
**Our Matter: T958691.1**  
**Receivership of 1508669 Ontario Limited t/a West Park**  
**Health Centre**  
**103-111 Pelham, St. Catharines**  
**Re: Sale to Southbridge Investment Partnership No. 1 by its**  
**general partner SIPGP No. 1 Inc.**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>
03/05/2011	0.20	Harry R. VanderLugt	Telephone attendance with purchaser solicitor re title matters including foreclosure
04/05/2011	0.40	Harry R. VanderLugt	Telephone attendance with and e-message purchaser solicitor re MOH side letter; review and update letter form and forward to H. Bricks
05/05/2011	0.30	Harry R. VanderLugt	Telephone attendance with and e-message purchaser solicitor re sideletter issues, draft revisions and forward
09/05/2011	0.20	Harry R. VanderLugt	E-message and telephone attendance with purchaser solicitor and clerk re scope of authorizations and agreement terms
11/05/2011	0.20	Harry R. VanderLugt	E-message from and purchaser solicitor; [REDACTED]
16/05/2011	0.20	Harry R. VanderLugt	Attendances re MOH sideletter completion and WSIB authorization
24/05/2011	0.50	Harry R. VanderLugt	E-messages re extension; draft amending agreement and letter to solicitor; e-message re asbestos inspection and report

**Total Fees for Professional Services** \$1,350.00

**DISBURSEMENTS**

**Taxable Costs**

Scanning Service	\$0.25
Postage	\$1.25
Photocopying - External	\$5.70
<b>Total Taxable Disbursements</b>	<u><b>\$7.20</b></u>

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

June 13, 2011  
INVOICE: 17251740

**Remittance Copy**

Client: 90669 Deloitte & Touche LLP  
Matter: T958691.1  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.  
Amount Due: \$1,533.64

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1 First Canadian Place  
Suite 1600  
100 King Street W  
Toronto, ON M5X 1G5  
Canada

**PAYMENT BY WIRE TRANSFER:**

**Pay by Swift MT 103 Direct to:**  
**SWIFTCODE:** CIBCCATT  
**BENEFICIARY BANK:** Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
**TRANSIT NUMBER:** 0010-00002  
**BENEFICIARY ACCOUNT NAME:** Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**

USD BOFAUS3N (ABA 026009593)

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errors and omissions excluded





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Deloitte & Touche LLP  
ATTN: Dan Weisz  
Senior Vice President  
Brookfield Place  
181 Bay Street  
Suite 1400  
Toronto ON M5J 2V1

May 9, 2011  
INVOICE: 17230878

Our Matter: T958691.1 / 90669  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.

#### TO OUR FEE:

Fees for Professional Services	\$810.00
HST on Fees	105.30
<b>Total Fees and Taxes</b>	<b>915.30</b>

#### DISBURSEMENTS:

Disbursements (Taxable)	36.88
HST on Disbursements	4.79
<b>Total Disbursements and Taxes</b>	<b>41.67</b>

#### TOTAL INVOICE BALANCE:

Total for this Invoice	956.97
[ Total HST: \$110.09 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars <u>\$956.97</u></b>

#### GOWLING LAFLEUR HENDERSON LLP

PER \_\_\_\_\_  
Harry R. VanderLugt

terms: due upon receipt  
interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded  
GST/HST: 11936 4511 RT

May 9, 2011  
INVOICE: 17230878

**Deloitte & Touche LLP**  
**Our Matter: T958691.1**  
**Receivership of 1508669 Ontario Limited t/a West Park**  
**Health Centre**  
**103-111 Pelham, St. Catharines**  
**Re: Sale to Southbridge Investment Partnership No. 1 by its**  
**general partner SIPGP No. 1 Inc.**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>
30/03/2011	0.50	Harry R. VanderLugt	E-message, prep and forward execution copies of purchase agreement
11/04/2011	0.30	Harry R. VanderLugt	E-message solicitor; deliver executed agreement; approval for release of deposit cheque from escrow
13/04/2011	0.40	Harry R. VanderLugt	E-message from solicitor; review key dates schedule; locate and review survey and forward;

**Total Fees for Professional Services** **\$810.00**

**DISBURSEMENTS**

**Taxable Costs**

Courier	\$5.08
Courier - FedEx	\$31.80
<b>Total Taxable Disbursements</b>	<b><u>\$36.88</u></b>

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errors and omissions excluded

May 9, 2011  
INVOICE: 17230878

**Remittance Copy**

Client: 90669 Deloitte & Touche LLP  
Matter: T958691.1  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.  
Amount Due: \$956.97

**PAYMENT BY CHEQUE:**

**Please return this page with your payment payable to Gowling Lafleur Henderson LLP**

**Remit to:** Gowling Lafleur Henderson LLP  
1 First Canadian Place  
Suite 1600  
100 King Street W  
Toronto, ON M5X 1G5  
Canada

**PAYMENT BY WIRE TRANSFER:**

**Pay by Swift MT 103 Direct to:**  
**SWIFTCODE:** CIBCCATT  
**BENEFICIARY BANK:** Canadian Imperial Bank of Commerce  
Main Branch, Commerce Court, Toronto, ON  
M5L 1G9  
**TRANSIT NUMBER:** 0010-00002  
**BENEFICIARY ACCOUNT NAME:** Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**  
USD BOFAUS3N (ABA 026009593)

\* if paying by wire or EFT please e-mail the remittance details to [payments.toronto@gowlings.com](mailto:payments.toronto@gowlings.com)

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Deloitte & Touche LLP  
ATTN: Dan Weisz  
Senior Vice President  
Brookfield Place  
181 Bay Street  
Suite 1400  
Toronto ON M5J 2V1

April 8, 2011  
INVOICE: 17211606

Our Matter: T958691.1 / 90669  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.

#### TO OUR FEE:

Fees for Professional Services	\$2,295.00
HST on Fees	298.35
<b>Total Fees and Taxes</b>	<b>2,593.35</b>

#### DISBURSEMENTS:

Disbursements (Taxable)	94.78
HST on Disbursements	12.32
<b>Total Disbursements and Taxes</b>	<b>107.10</b>

#### TOTAL INVOICE BALANCE:

Total for this Invoice	2,700.45
[ Total HST: \$310.67 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars</b>
	<b><u>\$2,700.45</u></b>

#### GOWLING LAFLEUR HENDERSON LLP

PER \_\_\_\_\_  
Harry R. VanderLugt

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errors and omissions excluded  
GST/HST: 11936 4511 RT

Gowling Lafleur Henderson LLP · Lawyers · Patent and Trade-mark Agents

page 1 of 3

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April 8, 2011  
INVOICE: 17211606

**Deloitte & Touche LLP**  
**Our Matter: T958691.1**  
**Receivership of 1508669 Ontario Limited t/a West Park**  
**Health Centre**  
**103-111 Pelham, St. Catharines**  
**Re: Sale to Southbridge Investment Partnership No. 1 by its**  
**general partner SIPGP No. 1 Inc.**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>
15/03/2011	1.00	Harry R. VanderLugt	E-message from pscher solicitor; revise purchase agreement; e-message to solicitor
16/03/2011	0.20	Harry R. VanderLugt	[REDACTED] completion of agreement and outstanding matters; f/u with solicitor
22/03/2011	1.40	Harry R. VanderLugt	Telephone attendance with D. Kuiper; e-message and telephone [REDACTED]; draft revisions;; further review with solicitor; forward revised draft
23/03/2011	0.40	Harry R. VanderLugt	Review revisions; e-message to solicitor forward agreement
29/03/2011	0.40	Harry R. VanderLugt	E-message from solicitor; e-message to and [REDACTED] re changes; revise and forward

**Total Fees for Professional Services** \$2,295.00

**DISBURSEMENTS**

**Taxable Costs**

Scanning Service	\$0.50
Long Distance Telephone	\$0.28
TeraView (Ontario) Online Searches & Registration - Taxable	\$94.00
<b>Total Taxable Disbursements</b>	<u>\$94.78</u>

terms: due upon receipt  
Interest at the rate of 1.3% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

April 8, 2011  
INVOICE: 17211606

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Client: 90669 Deloitte & Touche LLP  
Matter: T958691.1  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.  
Amount Due: \$2,700.45

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Main Branch, Commerce Court, Toronto, ON  
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**BENEFICIARY ACCOUNT NAME:** Gowling Lafleur Henderson LLP  
Suite 1600, 1 First Canadian Place, Toronto, ON  
M5X 1G5  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**  
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Deloitte & Touche LLP  
ATTN: Dan Weisz  
Senior Vice President  
Brookfield Place  
181 Bay Street  
Suite 1400  
Toronto ON M5J 2V1

March 16, 2011  
INVOICE: 17195563

Our Matter: T958691.1 / 90669  
RE: Receivership of 1508669 Ontario Limited t/a West Park Health Centre  
103-111 Pelham, St. Catharines  
Re: Sale to Southbridge Investment Partnership No. 1 by its general partner SIPGP No. 1 Inc.

**TO OUR FEE:**

Fees for Professional Services	\$2,565.00
HST on Fees	333.45
<b>Total Fees and Taxes</b>	<b>2,898.45</b>

**DISBURSEMENTS:**

Disbursements (Taxable)	21.28
HST on Disbursements	2.77
<b>Total Disbursements and Taxes</b>	<b>24.05</b>

**TOTAL INVOICE BALANCE:**

Total for this Invoice	2,922.50
[ Total HST: \$336.22 ]	
<b>Please remit total invoice balance due:</b>	<b>In Canadian Dollars</b>
	<b>\$2,922.50</b>

**GOWLING LAFLEUR HENDERSON LLP**

PER \_\_\_\_\_  
Harry R. VanderLugt

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GST/HST: 11936 4511 RT

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March 16, 2011  
INVOICE: 17195563

**Deloitte & Touche LLP**  
**Our Matter: T958691.1**  
**Receivership of 1508669 Ontario Limited t/a West Park**  
**Health Centre**  
**103-111 Pelham, St. Catharines**  
**Re: Sale to Southbridge Investment Partnership No. 1 by its**  
**general partner SIPGP No. 1 Inc.**

**PROFESSIONAL SERVICES**

<b>Date</b>	<b>Hours</b>	<b>Timekeeper</b>	<b>Description</b>
13/01/2011	0.30	Harry R. VanderLugt	Review revised offer; [REDACTED]
21/01/2011	0.20	Harry R. VanderLugt	Receive, review and forward list re assumed contracts
02/02/2011	2.20	Harry R. VanderLugt	Southbridge Purchase Agreement-review, clean up and revise agreement and complete property schedules for agreement and for vesting order ; obtain and review updated searches for schedules
09/02/2011	0.50	Harry R. VanderLugt	Revise schedules; forward further draft of agreement to receiver
17/02/2011	0.40	Harry R. VanderLugt	Purchase Agreement schedules and completion
18/02/2011	0.20	Harry R. VanderLugt	Complete and forward agreement for review

**Total Fees for Professional Services** **\$2,565.00**

**DISBURSEMENTS**

**Taxable Costs**

Scanning Service	\$21.00
Long Distance Telephone	\$0.28
<b>Total Taxable Disbursements</b>	<u><b>\$21.28</b></u>

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March 16, 2011  
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Amount Due: \$2,922.50

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M5X 1G5  
**BENEFICIARY ACCOUNT NUMBER(S):** CDN Account: 38-51311  
USD Account: 03-54112

**International payments intermediary banking information:**

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errors and omissions excluded

<p><b>PEOPLES TRUST COMPANY</b></p>	<p><b>Court File No.: 06-CL-6233</b></p> <p><b>PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED</b></p> <p><b>- and -</b></p>
<p><b>ONTARIO</b></p> <p><b>SUPERIOR COURT OF JUSTICE</b></p> <p><b>(PROCEEDING COMMENCED AT TORONTO)</b></p>	<p><b>AFFIDAVIT OF HARRY R. VANDERLUGT</b></p> <p><b>(Sworn October 31, 2011)</b></p>
<p><b>Gowling Lafleur Henderson LLP</b></p> <p>Barristers and Solicitors</p> <p>1 First Canadian Place</p> <p>100 King Street West, Suite 1600</p> <p>Toronto, Ontario</p> <p>M5X 1G5</p> <p><b>Clifton P. Prophet / Frank Lamie</b></p> <p><b>LSUC No.: 34345K / 54035S</b></p> <p>Telephone: (416) 369-7525</p> <p>Facsimile: (416) 862-7661</p>	<p><b>Solicitors for Deloitte &amp; 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</b></p>



<p><b>PEOPLES TRUST COMPANY</b></p>	<p><b>People's Trust Company</b></p>
<p><b>Court File No.: 06-CL-6233</b></p>	<p><b>PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED</b></p>
<p><b>- and -</b></p>	<p><b>ONTARIO</b></p> <p><b>SUPERIOR COURT OF JUSTICE</b></p> <p><b>COMMERCIAL LIST</b></p> <p><b>(PROCEEDING COMMENCED AT TORONTO)</b></p>
<p><b>MOTION RECORD</b></p> <p><b>(Returnable November 9, 2011)</b></p>	<p><b>GOWLING LAFLEUR HENDERSON LLP</b></p> <p><b>Barristers and Solicitors</b></p> <p><b>Suite 1600, 1 First Canadian Place</b></p> <p><b>100 King Street West</b></p> <p><b>Toronto, Ontario M5X 1G5</b></p> <p><b>Clifton Prophet (LSUC No.: 34845K)</b></p> <p><b>Frank Lamie (LSUC No. 54035S)</b></p> <p><b>Telephone: (416) 862-7525</b></p> <p><b>Facsimile: (416) 862-7661</b></p> <p><b>Solicitors for Deloitte &amp; Touche Inc. in its capacity as Interim Receiver and Receiver and Manager of current and future assets, undertakings and properties of Paragon Health Care Inc., Paragon Health Care (Ontario) Inc. and 1508669 Ontario Limited</b></p>