

**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

**MOTION RECORD
(Returnable February 22, 2011)**

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)
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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

SERVICE LIST

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130 Adelaide Street West
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Toronto, Ontario
M5H 3P5

Attention: Martin Sear
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Fax: 416-366-8571
Email: msear@mcleankerr.com

Solicitors for Paragon Health Care Inc., Paragon Health Care (Ontario) Inc. and 1508669 Ontario Limited

AND 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**
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20 Dundas Street West
Toronto, Ontario M5G 2G8

Attention: Michael Kainer / Doug LeFaive
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Fax: 416-591-7333
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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, 6th Floor
Oshawa, Ontario L1H 8H5

Sandra Courvoisier
Tel: 905-433-6677
Fax: 905-436-4524
Email: 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

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

Independent Counsel to Deloitte & Touche Inc.

AND TO: MINISTRY OF HEALTH AND LONG-TERM CARE

56 Wellesley Street West, 9th Floor
Toronto, Ontario M7A 2J9

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

Tel: 416-212-2362
Fax: 416-327-7603
Email: tim.burns@ontario.ca

AND TO: MINISTRY OF HEALTH AND LONG-TERM CARE

Hepburn Block-
10th Floor
80 Grosvenor Street
Toronto, Ontario M7A 2J9

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

Email: tim.burns@ontario.ca

AND TO: THE CONSUMERS' GAS COMPANY LTD.
950 Burnhamthorpe Road West
Mississauga, Ontario L5C 3B4

AND TO: GINETTE HARQUAIL
c/o Martin A. Sear
McLean & Kerr LLP
Suite 2800, 130 Adelaide Street West
Toronto, Ontario M5H 3P5

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, 10th Floor
Toronto, Ontario M2N 7E9

Attention: Robert Miller
Tel: 416-218-1134
Fax: 416-218-1834
Email: robert@chaitons.com

Solicitors for GEM Health Care Group Limited

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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 Tuesday, February 22nd, 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;
 - (c) approving the fees and disbursements of the Receiver and those of its counsel as set out in the Sixth Report of the Receiver dated February 15, 2011 (the **"Sixth Report"**);
 - (d) authorizing and directing the Receiver to distribute funds in the amount of \$2,000,000 held by the Receiver as proposed in the Sixth Report;
 - (e) approving the sale by the Receiver to Gem Health Care Group Limited (**"GEM"** or the **"Purchaser"**) of the property, assets and undertaking of Paragon and Paragon Ontario constituting Casa Verde Health Centre, Casa Verde Retirement Home and Casa Verde Independent Living Centre (the **"Purchased Assets"**), as more particularly described in an Agreement of Purchase and Sale (the **"APS"**) between the Receiver as vendor and GEM as purchaser;
 - (f) providing for the vesting of the Purchased Assets in GEM, free and clear of all encumbrances except those specifically permitted under the APS; and
 - (g) sealing Appendices "K" and "L" to the Sixth Report, being an appraisal letter in relation to the Purchased Assets and an unredacted version of the

APS, respectively, pending the successful completion of the GEM 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 Trust Company ("**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 February 14th, 2011, the outstanding balance of the Casa Verde First Mortgage was \$17,020,316.87, inclusive of principal and interest.
5. The Receiver seeks this Honourable Court's authorization and direction to distribute surplus funds which it now holds to Peoples in the amount of \$2,000,000 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. 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 Trust Company.
8. 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 Ontario Limited for sale.
9. In response to the listing with Jensen Realty, GEM submitted an offer to purchase the Purchased Assets and on or about October 20, 2010, the Receiver and GEM entered into the APS.

10. 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 GEM evidenced by the APS (the "Transaction") represents the highest and best realization available in respect of the Purchased Assets and is commercially reasonable.
11. The Transaction and APS are acceptable to Peoples Trust Company.
12. 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 Sixth Report of the Receiver dated February 15, 2011;
2. The Affidavit of Hartley M. Bricks sworn February 14, 2011;
3. The Affidavit of Harry R. Vanderlugt sworn February 14, 2011; and
4. Such further and other evidence as counsel may advise and this Honourable Court may permit.

Date: February 15, 2011

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

Clifton P. Prophet (LSUC No. 34845K)
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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

TO: THE SERVICE LIST

Schedule "A"

Court File No. 06-CL-6233

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE
JUSTICE CUMMING

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TUESDAY, THE 22ND DAY
OF FEBRUARY, 2011

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

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

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 (the "**Sixth Report**") and the Affidavits of Harry Vanderlugt sworn February 14, 2011, filed, and Hartley M. Bricks sworn February 14, 2011, filed, and upon hearing the submissions of counsel for the Receiver, no other parties attending.

1. **THIS COURT ORDERS** that service of the Notice of Motion and the Motion Record herein is hereby abridged, if necessary, and that this motion is properly returnable today and that service, including the form, manner and time that such service was actually effected on all parties, is hereby validated, and where such service was not effected such service is hereby dispensed with.
2. **THIS COURT ORDERS** that the Sixth Report is hereby accepted and approved.
3. **THIS COURT ORDERS** that the conduct of the Receiver and its agents to date, as detailed in the Sixth Report, be and the same is hereby approved.
4. **THIS COURT ORDERS** that the Interim Statements of Receipts and Disbursements of the Receiver for the period January 24, 2006 to February 11, 2011 in respect of Paragon, Paragon Ontario and 1508669 as respectively set out in **Appendices "N", "O" and "P"** to the Sixth Report, filed, be and the same are hereby accepted and approved.
5. **THIS COURT ORDERS** that the fees of the Receiver relating to the receivership of Paragon and 1508669 for the period from October 1, 2009 to October 31, 2010 in the amount of \$169,885.53 in respect of Paragon and \$115,828.78 in respect of 1508669, as set out in the Affidavit of Hartley M. Bricks sworn February 14, 2011, filed, be and the same are hereby approved.

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

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

<p>PEOPLES TRUST COMPANY</p>	<p>Court File No.: 06-CL-6233</p> <p>- and -</p> <p>PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED</p>
<p>ONTARIO</p> <p>SUPERIOR COURT OF JUSTICE</p> <p>(PROCEEDING COMMENCED AT TORONTO)</p>	
<p>DISTRIBUTION ORDER</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>Clifton P. Prophet / Frank Lamie LSUC No.: 34345K / 54035S</p> <p>Telephone: (416) 862-7525 Facsimile: (416) 862-7661</p>	
	<p>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</p>

Schedule "B"

Court File No. 06-CL-6233

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE
JUSTICE CUMMING

TUESDAY, THE 22ND 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, [●<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 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.

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.

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

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.

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, 2nd 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.

TOR_LAW\ 7583413\1

<p>PEOPLES TRUST COMPANY</p>	<p>Court File No.: 06-CL-6233</p> <p>- and -</p> <p>PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED</p>
<p>ONTARIO</p> <p>SUPERIOR COURT OF JUSTICE</p> <p>(PROCEEDING COMMENCED AT TORONTO)</p>	
<p>APPROVAL AND VESTING ORDER</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>Clifton P. Prophet / Frank Lamie LSUC No.: 34345K / 54035S</p> <p>Telephone: (416) 862-7525 Facsimile: (416) 862-7661</p> <p>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</p>	

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'**").

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 22nd 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 respectively 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

Court File No. 06-CL-6233

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

THE HONOURABLE)	MONDAY, THE 23 rd 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 extrajudicial 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 filling 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, 6th 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, 9th 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

<p>BETWEEN:</p> <p>PEOPLES TRUST COMPANY Applicant</p> <p>- AND -</p> <p>PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED Respondents</p> <p>APPLICATION UNDER section 47 of the <i>Bankruptcy and Insolvency Act</i>, R.S.C. 1985, c. B-3, and under section 101 of the <i>Courts of Justice Act</i>, R.S.O. 1990, c. C.43</p>		<p>Court File No.: 06-CL-6233</p>
		<p>ONTARIO</p> <p>SUPERIOR COURT OF JUSTICE (Commercial List)</p> <p>PROCEEDING COMMENCED AT TORONTO</p>
		<p>ORDER</p>
		<p>GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors Suite 1600, 1 First Canadian Place 100 King Street West TORONTO, Ontario M5X 1G5</p> <p>Massimo C. Starnino (LSUC # 41048G) Tel: (416) 862-3630 Fax: (416) 863-3630</p> <p>Solicitors for Peoples Trust Company</p>

Court File No. 06-CL-6233

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

BETWEEN:

PEOPLES TRUST COMPANY

Applicant

- and -

PARAGON HEALTH CARE INC. AND 1508669 ONTARIO LIMITED

Respondents

**Fifth Report to the Court of Deloitte & Touche Inc.,
as Interim Receiver and Receiver and Manager of
Paragon Health Care Inc., Paragon Health Care (Ontario) Inc.
and 1508669 Ontario Limited**

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 application, the Receiver submitted its First Report to the Court dated March 26, 2007 ("**First Report**").
5. On August 21, 2007, the Honourable Justice Cumming granted an Order approving the Receiver commencing a marketing and sale process for the Homes (the "**Sale Process Order**"). In support of the motion, 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 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 application, the Receiver submitted its Fourth Report to the Court (the "**Fourth Report**") dated June 25, 2008.
8. The purpose of this Fifth Report of the Receiver (the "**Fifth Report**") is to:
 - update the Court on the operation of the Homes;
 - update the Court on the status of the ongoing marketing and sale process for the Homes;

- request the Court's approval of a proposed distribution of \$1,000,000 from Paragon to Peoples; and
 - request the Court's approval of the fees and activities of the Receiver, and those of its counsel.
9. Capitalized terms not defined in this Fifth Report are as defined in the Appointment Order. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

10. In preparing this Fifth 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**").

OPERATIONS

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

Casa Verde

Occupancy

13. 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 November 30, 2009, and as discussed later herein, the Receiver has made capital expenditures of approximately

\$1,150,000 since the Appointment Date.

14. As of December 3, 2009, Casa Verde Nursing Home is approximately 92% occupied while Casa Verde Retirement Home is at 56% occupancy. For 2009, Casa Verde Nursing Home has averaged approximately 95% occupancy while Casa Verde Retirement Home has averaged approximately 60% occupancy. These occupancy levels are virtually identical to those reported approximately one year ago in the Second 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.
15. 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

16. In late August and early September 2009, 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 November 23, 2009 and the Long-Term Care Home Review Summary Report is attached hereto as **Appendix "B"**.

Accreditation

17. 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 scheduled for 2010. On April 8, 2009, Casa Verde Retirement Home received accreditation from the Ontario Retirement Communities Association and was admitted to its membership.

Human Rights Complaint

18. In August 2008, a nurse ("**HR Applicant**") engaged through a temporary employment agency made an application under Section 34 of the Human Rights Code naming "Casa Verde Health Center" as the respondent. The HR Applicant had alleged discrimination based on race while working at Casa Verde Nursing Home. The Receiver defended the application, first through mediation, which was rejected by the HR Applicant, and then at a tribunal, at which the HR Applicant failed to appear. On June 3, 2009, the Human Rights Tribunal of Ontario dismissed the HR Applicant's application.

Operating Results

19. Attached hereto as **Appendix "C"** is an operating statement summary for Casa Verde Nursing Home for the period January 24, 2006 to September 30, 2009 (the "**Results Period**"). Casa Verde Nursing Home has generated positive net income (before consideration of interest, depreciation and capital expenditures) of approximately \$3.4 million over the Results Period. Monthly results at Casa Verde Nursing Home continue to show an upward trend due to the positive impact of increased occupancy commencing in July 2006.
20. Over the Results Period, the Receiver has incurred approximately \$230,000 in restructuring costs which relate to appraisal fees and severance and termination costs for terminated employees (referred to in the Fourth Report). The Receiver does not anticipate incurring any further significant restructuring costs for the balance of fiscal 2009. As set out earlier in this Fifth Report, the Receiver has expended approximately \$1,150,000 in capital expenditures for Casa Verde. The significant expenditures relate to remediation of the roof of Casa Verde, 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.

21. Attached hereto as **Appendix "D"** 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 \$1.2 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

22. Occupancy at West Park has remained relatively consistent at an average rate in excess of 97% since the Appointment Date.

Ministry of Health and Long-Term Care

23. In October 2008, the MOHLTC completed its 2008 annual review of West Park during which the MOHLTC identified certain unmet criteria. West Park submitted a plan of corrective action to the MOHLTC to address the unmet criteria which the MOHLTC determined to be acceptable. Copies of the annual review and the plan of corrective action are attached hereto as **Appendix "E"**.
24. In January and February 2009, the MOHLTC conducted five investigations following complaints it received. For each complaint, West Park submitted a plan of corrective action which was accepted by the MOHLTC. Copies of the complaint investigations and the plans of corrective action are attached hereto as **Appendix "F"**.
25. The MOHLTC conducted its 2009 annual review of West Park in July 2009. The MOHLTC identified certain unmet standards and West Park submitted plans of corrective action on August 7, 2009 to address the unmet standards. Copies of the Report of Unmet Standards or Criteria and the plans of corrective action are attached hereto as **Appendix "G"**.

26. On August 13, 2009, representatives of the MOHLTC met with the Receiver together with Diversicare and key staff from West Park to discuss the results of the MOHLTC's 2009 annual review and to advise that due to ongoing concerns related to the care and services provided at West Park and the inability to sustain corrective actions, effective August 13, 2009, West Park was to be subject to enhanced inspection and monitoring for a period of not less than 90 days. A copy of correspondence dated August 13, 2009 from the MOHLTC discussing its reasons for its decision to place West Park in enhanced inspection and monitoring is attached hereto as **Appendix "H"**. Subsequent to that meeting, West Park submitted further plans of corrective action to the MOHLTC.
27. For the 90 day period after August 13, 2009, West Park was subjected to enhanced inspections and monitoring, with a comprehensive review undertaken by the MOHLTC on November 3, 4, and 5, 2009. On November 12, 2009, representatives of the MOHLTC met with the Receiver together with Diversicare and key staff from West Park to discuss the results of that review, a copy of which is attached hereto as **Appendix "I"**. At that meeting, the MOHLTC advised that due to lack of progress in addressing the identified areas of non-compliance and unmet criteria over the enhanced inspection and monitoring period, the MOHLTC was initiating enforcement inspection activities at West Park for a 90 day period. A copy of correspondence dated November 13, 2009 from the MOHLTC discussing its reasons for its decision to place West Park in enforcement inspection is attached hereto as **Appendix "J"**. The Receiver is working with Diversicare to ensure appropriate steps are taken at West Park to address the identified areas of non-compliance.

Operating Results

28. Attached hereto as **Appendix "K"** is an operating statement summary for West Park for the Results Period. Consistently strong occupancy at West Park has over the Results Period generated positive net operating income of \$1,089,736 (before consideration of interest, depreciation and capital expenditures).
29. Over the Results Period, the Receiver has expended approximately \$360,000 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 and replacement of flooring in certain sections of West Park.

Lantana Circle Property

30. On April 3, 2009, the Receiver was advised that it, along with 1508669, Elk Island Developments Inc. ("**Elk Island**") and Canadian Imperial Bank of Commerce ("**CIBC**") had been added as parties to a civil dispute being tried in the Superior Court of Justice between Saysamone Sanoubane and Gerald Harquail, the principal of the Companies (the "**Sanoubane Action**"). The Sanoubane Action involves a claim for spousal and child support brought by Ms. Sanoubane against Mr. Harquail. Ms. Sanoubane is also apparently claiming part ownership of 4 Lantana Circle, St. Catharines ("**Lantana Circle**"), a residence in which she had resided in at the time she brought the Sanoubane Action, and a Certificate of Pending Litigation was issued against Lantana Circle as ordered by the Court as part of the Sanoubane Action.
31. The Receiver was initially made aware of the Lantana Circle property in June 2008 when counsel for CIBC contacted the Receiver to advise that the mortgage that CIBC held on Lantana Circle was in default and that CIBC intended to enforce the mortgage and dispose of the property under power of sale proceedings. Upon looking into this matter, the Receiver discovered that 1508669 had been the registered owner of Lantana Circle until approximately one week prior to the Appointment Date when the property was transferred for consideration of \$2 to Elk Island, a company controlled by Mr. Harquail. Also on the transfer date, Elk Island granted a \$400,000 charge on Lantana Circle to Ginette Harquail, Mr. Harquail's spouse.
32. The Receiver advised counsel for CIBC in July 2008 that it was the Receiver's position that the transfer of Lantana Circle to Elk Island constituted a fraudulent conveyance, that the charge granted to Ginette Harquail constituted a settlement and that any proceeds from sale in excess of CIBC's first mortgage should be held pending a review of these transactions and a determination of ownership of Lantana Circle.
33. The Receiver notes that Ms. Sanoubane did not seek leave of the Court as required under the Appointment Order prior to obtaining the Order adding the Receiver to the Sanoubane Action.
34. Kronis Rotsztain Margles Cappel ("**Kronis**"), Counsel for CIBC, has advised the Receiver that in September 2009 they were successful in a motion they brought to evict Ms. Sanoubane from

Lantana Circle. Kronis has also advised that prior to listing 4 Lantana Circle for sale, CIBC has commissioned certain repairs to the property including removing mould that has accumulated in the indoor swimming pool. Kronis indicated that they anticipate listing the property for sale in the spring of 2010.

35. Kronis estimates CIBC's first mortgage on Lantana Circle at \$470,000, which includes payment of outstanding property taxes but does not include legal fees or any repair costs. Kronis indicated that once the repairs to the property are complete, they will obtain an appraisal of the property which they will provide to the Receiver. Kronis confirmed that they intend to have any proceeds in excess of CIBC's mortgage paid into Court pending the Receiver's challenge to the ownership transfer to Elk Island and the charge provided to Ms. Harquail.
36. Based on Kronis' commitment to pay any excess proceeds into Court, the Receiver proposes to await the determination of the amount remaining in excess of CIBC's mortgage claims before further pursuing remedies in relation to the transfer of the Lantana Circle property and the charge provided to Ms. Harquail.

MARKETING AND SALES PROCESS

37. Following the issuance of the Sales 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.
38. On May 30, 2008, the Receiver, with the concurrence of Peoples, engaged John A. Jensen Realty Inc. ("**Jensen**") to list the Homes for sale. Jensen's expertise is the marketing and sale of nursing and retirement home facilities. On September 30, 2009, and with the concurrence of Peoples, the Receiver extended its listing agreement with Jensen with respect to Casa Verde to March 31, 2010. As set out below in more detail, the listing agreement for West Park has not been renewed to date.
39. For purposes of this Fifth Report, the Receiver has not included the names of potential purchasers, or offered purchase prices for the Homes, in order to not compromise future sales efforts by the Receiver.

Casa Verde

40. 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.
41. On July 3, 2009, the Receiver entered into a letter of intent with a second party ("**Second Purchaser**") for the sale of Casa Verde. The Receiver provided the Second Purchaser 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 Purchaser, the Second Purchaser informed the Receiver that at the present time it would not be proceeding any further with the transaction. The Receiver has terminated the Second Purchaser's letter of intent in accordance with its terms and is consulting with Jensen concerning the re-marketing of Casa Verde.

West Park

42. On February 26, 2009, the Receiver entered into a letter of intent with a potential purchaser for the sale of West Park (the "**West Park Purchaser**"). The Receiver provided the West Park Purchaser with a draft agreement of purchase and sale and various documents requested by the West Park Purchaser in order that the West Park Purchaser 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 ("**Definitive APS**") by March 24, 2009 (the "**APS Deadline**"). By the APS Deadline, the parties had not entered into a Definitive APS, however, the Receiver and the West Park Purchaser agreed that they would continue to negotiate and that the West Park Purchaser 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 Definitive APS and in mid-August 2009, the parties mutually agreed to terminate the transaction.
43. 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 on September 5, 2009.

44. Peoples subsequently issued a statement of claim in connection with the Foreclosure Action which it served on the Receiver and 1508669. Peoples is in the process of attempting 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 is continuing the Foreclosure Action. It is the Receiver's understanding that the Foreclosure Action will extinguish the second mortgage on West Park (and Casa Verde, as both properties secured the same debt) and will make WP Holdings the registered owner of West Park; the first mortgage is to be unaffected.
45. Following Peoples' foreclosure on the second mortgage, the Receiver, in consultation with Peoples, intends to continue to operate West Park and may explore redevelopment options before making further attempts to sell the property. As a result, the Receiver did not re-list West Park with Jensen after the listing agreement expired on September 30, 2009. However, the Receiver has informed Jensen that notwithstanding that there is no listing agreement in place, the Receiver is willing to entertain serious offers of interest that may be presented to Jensen.

INTERIM STATEMENTS OF RECEIPTS AND DISBURSEMENTS

46. Attached hereto as **Appendices "L", "M" and "N"** are the Receiver's Interim Statements of Receipts and Disbursements for the period January 24, 2006 to December 7, 2009 (the "R&D") for each of Paragon, Paragon Ontario and 1508669, respectively. The R&D's 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 19 and 28 of this Fifth Report.
47. On the 22nd 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. The Receiver provides the requisite funding to Diversicare and holds the balance in its trust account.

48. As set out in the R&D's, the current cash balances in the Receiver's trust accounts as at December 7, 2009 in respect of each of the Companies is as follows:

Company	Cash Balance
Paragon	\$ 1,771,707
Paragon Ontario	3,795
1508669	166,571
Total	\$ 1,942,073

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.

49. Diversicare maintains sufficient cash balances in its operating accounts for working capital purposes. Diversicare's operating accounts contain the following cash balances as at December 7, 2009:

Facility	Cash Balance
Casa Verde Health Centre	\$ 721,128
Casa Verde Retirement Home	159,084
West Park	418,775
Total	\$ 1,298,987

PROPOSED DISTRIBUTION TO PEOPLES

50. As indicated above, the Receiver has approximately \$1,770,000 in its Paragon trust account.
51. With respect to the property, assets and undertaking of Paragon and the business of Casa Verde, Peoples holds the security described in the attached **Appendix "O"**, including a charge/mortgage of land made in favour of First National Financial Corporation by Paragon, dated May 30, 1994 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 indicated that Peoples' security over Paragon was legal, valid and binding.
52. A copy of Peoples' Statement for Discharge Purposes as of December 7, 2009 with respect to the Casa Verde First Mortgage is attached hereto as **Appendix "P"**. As of December 7, 2009, the outstanding balance (principal and interest) under the Casa Verde First Mortgage is \$15,790,287.35. 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.
53. The Receiver has determined that \$1,000,000 would be an appropriate amount to distribute to Peoples as payment against arrears interest on the Casa Verde First Mortgage and is seeking the Court's approval for same. 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

54. The Receiver's fees for services rendered for the period June 1, 2008 to September 30, 2009 are particularized in the Affidavit of Hartley M. Bricks sworn December 14, 2009 and the invoices attached as exhibits thereto. The total amount of the invoices for this period is \$205,158.59 in respect of Paragon and \$105,363.83 in respect of 1508669. The invoices have been redacted where they refer to matters that are subject to privilege.
55. The fees and disbursements of Gowlings, counsel for Peoples Trust, in respect of work performed for the Receiver, for the period May 22, 2008 to November 18, 2009 are particularized in the Affidavit of Harry Vanderlugt sworn December 14, 2009 and the invoices are attached as exhibits thereto. The total amount of the Invoices for this period is \$72,191.54 in respect of Paragon and

- \$35,650.93 in respect of 1508669. The invoices have been redacted where they refer to matters that are subject to privilege.
56. The fees and disbursements of Lang Michener, the Receiver's independent counsel, for the period June 1, 2009 to September 30, 2009 are particularized in the affidavit of Leslie A. Wittlin. The total amount of the invoices for this period is \$3,203.81, all in respect of 1508669. The invoices have been redacted where they refer to matters that are subject to privilege.
57. The Receiver has reviewed the invoices of Gowlings and Lang Michener and finds the work performed and charges to be appropriate and reasonable.
58. The Receiver has sought and received the approval of Peoples prior to taking interim draws against the fees of the Receiver, Gowlings and Lang Michener.
59. The Receiver is seeking the Court's approval of its activities up to the date of this Fifth Report and its fees as set out above.

RECEIVER'S REQUEST TO THE COURT

60. The Receiver is respectfully seeking an order approving the following:
- i) the actions and activities of the Receiver from June 26, 2008 to December 14, 2009, the date of this Fifth Report, together with this Fifth Report;
 - ii) a distribution to Peoples in the amount of \$1,000,000 to be applied against amounts outstanding on the Casa Verde First Mortgage; and
 - iii) the fees and disbursements of the Receiver for the period from June 1, 2008 to September 30, 2009, the fees and disbursements of Gowlings for the period from May 22, 2008 to November 18, 2009, and the fees and disbursement of Lang Michener for the period June 1, 2009 to September 30, 2009.

Fifth Report to the Court of Mintz & Partners Limited as
Interim Receiver and Receiver and Manager of
Paragon Health Care Inc., Paragon Health Care (Ontario) Inc.
and 1508669 Ontario Limited

December 14, 2009
Court File No. 06-CL-6233

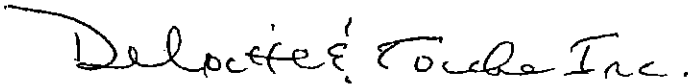
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All of which is respectfully submitted to this Honourable Court.

DATED this 14th day of December, 2009.

DELOITTE & TOUCHE INC.

Interim Receiver and Receiver and Manager of
Paragon Health Care Inc., Paragon Health Care (Ontario) Inc.
and 1508669 Ontario Limited



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

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

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

**Ministère de la Santé
et des Soins de longue durée**



Health System Accountability and
Performance Division
Performance Improvement and
Compliance Branch
Toronto Service Area Office

Division de la responsabilisation et de la
performance du système de santé
Direction de l'amélioration de la performance
et de la conformité
Bureau régional de services de Toronto

Remote Offices:
Performance Improvement and Compliance Branch

55 St. Clair Avenue West, 8th Floor
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APR 20 2010

Mr. Richard Stewart
Administrator
Casa Verde Health Centre
3595 Keele Street
North York, ON M3J 1M7

Dear Mr. Stewart:

Please find enclosed the Long-Term Care Home Review Summary Report for the review of care and services conducted on **February 3, 4, 2010**.

This **Follow-up Annual** report must be posted for public viewing in a conspicuous place in your Nursing Home, in accordance with Section 123(a) of the Nursing Homes Act and Regulation 832.

I would like to remind you that under the Freedom of Information and Protection of Privacy Act, all information retained by the Ministry of Health and Long-Term Care relating to your home is subject to public release.

A copy of the report must be available without charge to any resident of the home upon request. The report will also be on file with the Health System Accountability and Performance Division, Performance Improvement and Compliance Branch, Toronto Service Area Office.

Thank you for your co-operation.

Yours truly,

Amanda Williams, BSc., BASc., CPHI(C)
Environmental Advisor

Tiina Tralman
Dietary Advisor

Saran Daniel-Dodd, R.N.
Compliance Advisor

/am
Encl:

c: Legislative Library
Concerned Friends
OLTCA

OANHSS
CCAC
Compliance Advisor

Home: 1041 Visit: 1

Home	Name And Address	Type of Review	Discipline	Inspection Date	Page #
1041	CASA VERDE HEALTH CENTRE 3595 KEELE STREET NORTH YORK ON M3J 1M7	Follow up - Annual February 3 and 4, 2010	Nursing	2010/02/03 Number of Days 2	1 of 10
Act/Reg Standards And Criteria	Ministry Inspection Results	Required Date of Correction	LTC Facility Plan of Corrective Action	Planned Date of Correction	Ministry Response

N/A

The following unmet criterion issued during the 2009 Annual Review have been placed back into compliance at the time of this review:

- A1.18
- B1.7
- B1.17
- B2.9
- B5.3
- C1.13

Criterion P1.29 issued during May 2008 complaint inspection JT0098 was reissued.

Criterion M3.23 was deferred.

The following unmet criterion issued August 25, 2009 (Annual Review) were re-issued during this visit and will be followed up:

B3.16

Each resident's environment shall be maintained to minimize safety and security risks. Action shall be taken to protect each resident from identified potentially hazardous substances, conditions and equipment.

Criterion not met as evidenced by:

- The 2C and 2E dining rooms were observed to be overcrowded during meal services Feb.3 &

2010/02/04

Reassessment of seating plans of all residents in 2C and 2E dining rooms.
Based on current resident mix, approximately 24 2E residents to be relocated to main dining room based on reassessment to relieve congestion.
Meeting took place to discuss compliance findings and action plan with staff.

2010/02/10

Accepted

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4, 2010 posing unsafe conditions.
- Two commode chairs were found with cracked cushion in unit 2C shower room.

Seating assignment on 2C was reviewed and residents re-assigned to decrease crowding. Residents requiring wheelchairs were relocated to the larger area of the dining room on 2C while ambulatory residents to be seated in small dining area on 2C. Seating will continue to be monitored and will be reviewed at least twice a year.

Cracked commode chairs have been removed from circulation and have been replaced with new commodes. All shower rooms were checked for any other cracked chairs to ensure that all were taken out of service. Education provided to staff. Staff instructed to label any commode chairs "out of service" and note placed in maintenance book to be picked up.

Commode chairs added to compliance check list.

Responsibility:
DOC/FSS/ADMIN

P1.27 Dietary services shall be organized to provide nutritional care according to residents' needs, consistent with their plans of care. Criterion not met as evidenced by:
- Identified resident did not receive renal diet as

Meeting and re-instruction of Nursing and Dietary staff that were involved in the error was completed.
All Nursing and Dietary staff were also provided and inservice for re-instruction of serving in

2010/03/30 Accepted

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observed at observed meals February 3 and 4, 2010 according to planned menu.

- Staff did not provide identified resident's preference for only hot beverages at observed meals February 3 and 4, 2010.

- Residents prescribed thickened beverages were not offered the same volume of fluid as residents on regular fluids. Identified resident received only one glass beverage observed February 4, 2010. Water was not thickened and/or offered according to planned menu.

- Meal service commenced late in identified dining rooms that provide two sittings as observed February 3 and 4, 2010. Meals commenced up to 25 minutes late. In one identified dining room on February 4, 2010, three identified residents left before the entrée was offered and staff did not acknowledge their leaving.

general and for special diets. All residents on renal diets were also audited to ensure that they are receiving the proper recommended meals. Meal service will be audited at least five times a week and will be re-assessed after one month for 100% compliance but will not be less than once per week.

Meeting and re-instruction of Nursing staff to follow Residents Dietary profile binder ensuring that Residents receive hot beverages as per likes/dislikes.

All residents to receive fluids as per daily menu. Food Services Supervisor to re-instruct Dietary staff in ensuring thickened beverages are available at meal times as per daily menu. Food Services Supervisor to monitor in ensuring compliance.

Reassessment of seating plans of all residents in 2E dining rooms. Based on current resident mix, approximately 24 2E residents to be relocated to main dining room to relieve work load in dining area and improving meal start times for 1st and 2nd sittings. There will be daily audits of start times at all three meals in the satellite dining rooms which will be reduced

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once full compliance is attained. It will continue to be part of the monthly dining services audit.

Responsibility:
DOC/FSS

P1.29

The following unmet criterion issued May 2008 during complaint investigation JT0098 has been re-issued and will be followed up:

The nutritional care program shall include:
Screening to identify nutritional risk; Nutritional assessments and identification of interventions on residents' plans of care; Reassessment of care plans based on residents' changing needs; and interpreting and individualizing of residents' regular, modified and therapeutic diets and supplemental feedings, as well as other aspects of the care plan that impact dietary services.

Criterion not met as evidenced by:

- Assessment for identified resident at nutritional risk for poor intake, refusal to eat and low bodyweight did not determine nutritional intervention planned was adequate to meet estimated nutritional needs.
Assessment for poor hydration did not address resident preferences at meal times.

Charts for identified residents will be reviewed to address and correct deficits as described.

Inservice will be held with dietitians and FS Supervisors to clarify need for more specifics in dietary care planning and assessments to ensure recommendations and assessments are measurable and that goals are clearly noted as met or not met.

All charts will be reviewed and measurable assessments implemented for all new admissions and quarterly assessments. Charts will be audited weekly by FSS, DOC and Administrator for dietary and nutritional care planning and then reviewed to be reduced to monthly audits.

Resident assessments will include caloric requirements (Energy, Protein, Fluids) and also

2010/04/30

Accepted

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- Reassessment did include evaluation of effectiveness of interventions for identified resident at risk for weight loss. Care plan goal weight not achieved.

- Assessment for nutrition supplement was not clear for identified resident on admission. Reassessment in response to unplanned weight change did not include evaluation of nutritional interventions.

- Need for nutritional supplement was not reassessed for need in response to abnormal albumin levels identified upon admission for identified resident.

- Assessment did not determine change in nutritional intervention planned was adequate to meet estimated nutritional needs of identified resident in response to unplanned weight loss.

- Identified resident's care plan was not clear for assessed hydration needs.

- Resident's intake was not assessed in response to referral for weight loss. Assessment did not determine that change in nutritional intervention was adequate to meet resident's estimated nutritional needs.

the amount of daily intake from observation, flow sheets, staff and families to determine the adequacy of intervention planned to meet nutritional needs. Assessments will be documented in Care Plans, RAP's and Progress Notes. Assessments will identify resident's fluid preferences at meals and snacks through observations, staff and family in order to increase daily fluid intake and will be documented in Care Plans, RAP's and Progress Notes.

Re-assessment findings and documentation will be consistent in Care Plans, RAP's and Progress Notes and will be updated accordingly in order to indicate the effectiveness of interventions and needs for changes in Care Plans/interventions and to achieve Care Plan goals if reasonable. In order to achieve Care Plan goal, RD's will determine new intervention.

Comprehensive Nutritional assessments will be conducted on admission to determine needs for supplements and will be documented in Care Plans, RAP's and Progress Notes. Re-assessments will evaluate and identify the outcomes and effectiveness of the intervention

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and it will also determine the needs for changes in Care Plans and interventions to prevent unplanned weight change.

Re-assessments will review Labs to determine needs whether to continue or cease recommended supplements in previous Care Plans.

Assessments and related nutritional interventions will include evaluation of outcomes to determine the effectiveness of Care Plans to meet estimated nutritional needs (Caloric, Protein, Fluids) of identified resident in response to unplanned weight loss.

Resident daily fluid needs and intake will be assessed and documented in Care Plans, RAP's, Progress Notes to indicate the reason for intervention.

Resident daily intake will be assessed through observation, flow sheets, staff and families. Resident daily caloric intake requirements (Energy, Protein, Fluids) will be determined and documented. Assessments will determine the adequacy of daily intake to meet the nutritional needs based on Residents needs and intake.

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Documentation will include numeric values for daily needs and intake.

Responsibility:

FSS/Administrator/Dietitian

A1.11 A1.11(1) 2020/02/04 2010/03/30 Accepted

The following unmet criterion were issued during this visit (2009 Annual Review Follow Up) and will be followed up:

- Every resident has the right to be treated with courtesy and respect and in a way that fully recognizes the resident's dignity and individuality and to be free from mental and physical abuse.
- Criterion not met as evidenced by:
- Observed resident to receive Insulin in identified dining room during meal service February 4, 2010.
 - Observed residents in wheelchairs with tags identifying residents need for restraint.
 - Mesh slings were observed to remain on identified residents after care.

Education provided to staff regarding not giving resident's medication in the dining room. In-service to review residents rights and privacy. Pharmacy to review medication administration procedure.

Tags removed from wheelchairs. Compliance will be audited daily by charge nurse and monthly as part of the facility audit process.

Education provided to staff regarding not leaving mesh slings under residents. In-service to review resident's rights and privacy and dignity.

Responsibility:

DOC/Medical Pharmacy/DRP

A1.13 The decision to continue the use of a restraint as well as the type of restraint shall be re-

Staff to be in-serviced regarding policy and procedure.

2010/03/30 Accepted

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evaluated prior to each application on an ongoing basis.
 Criterion not met as evidenced by:
 - Documentation for resident care provided by registered nursing staff related to homes restraint monitoring policy and procedure observed with multiple omissions.
 - Restraint monitoring records were not completed on a consistent basis in relation to reassessment for identified dependant residents

Audit as part of daily rounds to ensure all units are using the current restraint form and completing form without omissions, until full compliance achieved.

Staff to be in-service regarding policy and procedure and current restraint form. This will be audited as part of the daily rounds initially and reduced with full compliance. It will also be audited as part of the monthly audit process. It will be included as an example in the staff orientation during the discussion of resident rights.

Responsibility:
DOC

B3.43 Each resident's treatment plan shall be carried out.
 Criterion not met as evidenced by:
 - Treatment administration records were not completed on a consistent basis for identified dependant residents in relation to wound care.
 - Treatment administration record was not completed over a 30-day period for an identified resident in relation to skin care.

2010/03/30

Staff to be in-service regarding policy and procedure.
 Pharmacy to in-service staff regarding medication administration procedure.
 Staff to be in-service regarding policy and procedure.
 Pharmacy to in-service staff regarding medication administration procedure.
 Responsibility:

Accepted

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DOC/Medical Pharmacy

O3.4

Action shall be taken promptly to identify and address incidents of offensive odour.
Criterion not met as evidenced by:
- Strong, lingering and pervasive odours were noted in identified resident bedrooms.
Examples discussed.

All falls prevention mattresses and bathrooms will be audited and those mattresses found with odours will be either cleaned or replaced. The mattresses with odours were discarded and the resident bathroom identified was thoroughly cleaned.

Nursing and housekeeping staff to be inserviced about importance of a home-like environment, use of the daily audit and followup on audit findings when odour is identified as a problem.. A problem solving checklist will also be used to help isolate the odour when present. The charge nurse will be responsible to ensure that nursing and housekeeping resolve the problem.

Odours will remain a part of the environmental monthly audit.

The issue of odours will also be addressed with new staff during orientation with all staff as part of the review of resident rights during orientation.

Responsibility:

2010/02/15 Accepted

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DOC and Environmental Services Manager/DOC					



Ministry of Health and Long-Term Care
Acute Services and Community Health Divisions
Toronto Region, 8th Floor, 55 St. Clair Avenue West, Toronto ON M4V 2Y7

COMPLIANCE PLANS

Compliance Review findings reflect the Ministry of Health's findings based on Ministry Standards and Criteria for resident care and nursing home services.
Compliance Plans reflect the home's corrective action plans to reach compliance with the Ministry's Standards.

Name and address of Nursing Home: Casa Verde Health Centre 3595 Keele St. Toronto ON M3J 1M7		Compliance Review Dates: May 27, 2010	Compliance Advisor: Saran Daniel-Dodd	
		Type of Review: Complaint Investigation	Plan submitted by: Richard Stewart	Plan Receipt Date:
Standards/ Criteria	Unmet Standards/ Criteria	Action Plan	Responsibility	Target Date for Completion
A1.80	The administrator shall respond within 10 days to all resident/representative requests, suggestions and complaints, indicating possible plans of action. Criterion was not met as evidenced by: The administrator did not address written letter of concern dated February 4, 2010 until April 7, 2010; and Follow up / or action taken to resolve concerns were not forwarded to the Long Term Care Division.	The regulatory requirement regarding complaints will be reviewed by the Administrator with the department heads including the Director of Care, the Assistant Director of Care, Dietary, Environmental Services, Recreation, and Social Services managers to ensure the complaints are researched within the time frame and written responses are sent to the Long Term Care Division.	Administrator	June 10, 2010

Paragon Health Care Inc. et al
Operating Statement for the Period
January 24, 2006 to November 30, 2010

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 November 30, 2010	January 24, 2006 to November 30, 2010
Revenue						
Ministry of Health revenue	\$ 6,397,977	\$ 8,748,368	\$ 10,297,697	\$ 10,815,814	\$ 9,115,629	\$ 45,375,485
Resident revenue	2,526,169	3,203,205	3,690,911	3,787,927	4,151,541	17,359,753
Ancillary revenue	21,588	53,960	21,551	33,773	22,527	153,399
Total Revenue	\$ 8,945,734	\$ 12,005,533	\$ 14,010,159	\$ 14,637,514	\$ 13,289,697	\$ 62,888,637
Operating Expenses						
Salaries, wages & benefits	\$ 6,072,772	\$ 8,166,003	\$ 9,827,118	\$ 10,084,895	\$ 9,311,707	\$ 43,462,495
Food and supplies	789,955	1,320,401	1,288,489	1,499,994	1,282,671	6,181,510
General & administration	703,807	744,570	656,726	723,892	689,431	3,518,426
Realty, business & capital taxes	411,184	460,120	463,057	463,104	418,117	2,215,582
Repairs & maintenance	148,909	195,931	189,929	225,952	206,976	967,697
Utilities	227,716	281,904	286,882	307,956	244,488	1,348,946
Total Expenses	\$ 8,354,343	\$ 11,168,929	\$ 12,712,201	\$ 13,305,793	\$ 12,153,390	\$ 57,694,656
Net Operating Income	\$ 591,391	\$ 836,604	\$ 1,297,958	\$ 1,331,721	\$ 1,136,307	\$ 5,193,981
Restructuring costs/charges	-	166,743	62,943	-	29,664	259,350
Net Income	\$ 591,391	\$ 669,861	\$ 1,235,015	\$ 1,331,721	\$ 1,106,643	\$ 4,934,631

Paragon Health Care Inc. et al
Operating Statement for the Period
January 24, 2006 to November 30, 2010

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 November 30, 2010	January 24, 2006 to November 30, 2010
Revenue						
Residential suites revenue	\$ 1,201,295	\$ 1,188,468	\$ 1,251,395	\$ 1,272,426	\$ 1,012,276	\$ 5,925,860
Other services revenue	8,124	12,262	10,233	8,663	9,341	48,623
Ancillary revenue	8,346	7,697	5,278	4,020	3,294	28,635
Total Revenue	\$ 1,217,765	\$ 1,208,427	\$ 1,266,906	\$ 1,285,109	\$ 1,024,911	\$ 6,003,118
Operating Expenses						
Salaries, wages & benefits	\$ 916,548	\$ 995,021	\$ 1,121,867	\$ 1,091,051	\$ 907,801	\$ 5,032,288
Food and supplies	149,280	153,424	378,726	216,898	170,420	1,068,748
General & administration	210,075	150,653	11,151	166,014	150,333	688,226
Realty, business & capital taxes	41,237	41,660	42,713	37,532	33,049	196,191
Repairs & maintenance	48,884	39,530	37,808	29,841	29,266	185,329
Utilities	75,768	93,970	95,629	102,651	81,496	449,514
Total Expenses	\$ 1,441,792	\$ 1,474,258	\$ 1,687,894	\$ 1,643,987	\$ 1,372,365	\$ 7,620,296
Net Operating Income	\$ (224,027)	\$ (265,831)	\$ (420,988)	\$ (358,878)	\$ (347,454)	\$ (1,617,178)
Restructuring costs/charges	-	3,082	-	-	39,125	42,207
Net Income	\$ (224,027)	\$ (268,913)	\$ (420,988)	\$ (358,878)	\$ (386,579)	\$ (1,659,385)

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

Health System Accountability and
Performance Division
Performance Improvement and
Compliance Branch

55 St. Clair Avenue West, 8th Floor
Toronto ON M4V 2Y7
Telephone: (416) 327-7461
Fax: (416) 327-7603

**Ministère de la Santé
et des Soins de longue durée**

Division de la responsabilisation et de la
performance du système de santé
Direction de l'amélioration de la performance
et de la conformité

55, avenue St. Clair ouest, 8^e étage
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Téléphone : (416) 327-7461
Télécopieur : (416) 327-7603



January 6, 2010

Eric Hall
Regional Manager
Diversicare
212 Argentinia Road, Suite 301

Hartley Bricks
Deloitte & Touche
1 Concorde Gate, Suite 200
Toronto, ON M3C 4G4

Dear Mr. Hall and Mr. Bricks:

Re: Suspension of Admissions to West Park Health Centre

I am writing to inform you that pursuant to subsection 20.1(17) of the *Nursing Homes Act*, I have directed the designated placement coordinator, the Hamilton Niagara Haldimand Brant Community Care Access Centre (CCAC) to cease authorizing admissions at West Park Health Centre, effective January 6, 2010. The suspension of admissions will be in effect for a period of 30 days and is subject to the conditions set out in the attached addendum.

The ceasing of admissions is being directed due to continuing and recurring contraventions of the service agreement, the Act, and the regulations by the licensee. These contraventions include on-going and recurring non-compliance with regulatory requirements and standards and criteria set out in the *Long-Term Care Homes Program Manual*. The areas of non-compliance involve serious risk in the provision of safe resident care, programs and services at the home as found by Ministry of Health and Long-Term Care (MOHLTC) inspectors.

The licensee is required to continue to complete and submit to the Ministry a plan outlining corrective actions to address the areas of non-compliance. The plan should be forwarded to the attention of Ann-Marie Case, Manager (A), Hamilton Service Area Office (HSAO) every two weeks.

The Ministry will continue to conduct inspections of the care, programs and services provided at the home. Further conditions may be imposed if other areas of non-compliance are found. Failure to meet the conditions set out in the addendum, and any other conditions that are imposed may lead the Ministry to pursue further action under the Act, the service agreement and/or the *Health Facilities Special Orders Act*.

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We recognize West Park Health Centre's commitment to achieve sustained compliance with Ministry requirements. If, prior to the end of the 30 day period, the Ministry is satisfied that West Park has achieved sustained compliance with Ministry requirements, I will consider whether to lift the suspension of admissions.

If you have any questions, please contact Ann-Marie Case, Manager (A), Hamilton Service Area Office, at (905) 546-8273.

Sincerely,



for Tim Burns
Director, Performance Improvement and Compliance Branch
Director under s.s. 3(2) *Nursing Homes Act*

Attachment

- c: Ken Deane, Assistant Deputy Minister, Health System Accountability and Performance Division
- Sandy Knipfel, Senior Manager, Compliance & Enforcement
- Ann-Marie Case, Manager (A), Hamilton Service Area Office
- Pat Mandy, Chief Executive Officer, Hamilton Niagara Haldimand Brant LHIN
- Melody Miles, Executive Director, Hamilton Niagara Haldimand Brant Community Care Access Centre

8/K

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

Health System Accountability and
Performance Division
Performance Improvement and
Compliance Branch

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**Ministère de la Santé
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Téléphone : (416) 327-7481
Télécopieur : (416) 327-7603



ADDENDUM to Letter of January 6, 2010

Re: West Park Health Centre – Enforcement and Ceasing of Admissions

The inspections conducted by the ministry staff of Hamilton Service Area Office indicate that this long-term care home continues to present serious, prevalent and recurrent risk to residents. The key areas of risk and concern, as well as MOHLTC requirements as related to these key areas of risk are outlined below.

- 1) **Lack of provision and respect for resident's rights. In this regard the home must:**
 - Ensure there is a system in place for monitoring the care being provided to residents that respects their right to be treated with dignity and respect at all times.
 - Ensure there is a system in place that provides residents with an environment that is free of mental and physical abuse.
 - Ensure that complaints/suggestions from residents/family including resident's council are documented, investigated and responded to in accordance within MOHLTC expectations.
- 2) **Lack of assessment, planning, care provision, monitoring and evaluation throughout the home specific to resident risk. In this regard, the home must:**
 - Ensure the development and implementation of a risk management program that includes identification of resident risk.
 - Ensure each resident receives assessment, planning, care provision, monitoring and evaluation of care related to their needs with specific attention to:
 1. Responsive behaviors;
 2. Changes in clinical conditions;
 3. Pain management;
 4. Falls;
 5. Bowel management;
 6. Level of assistance required for eating;
 7. Diabetes management; and
 8. Hygiene needs.
- 3) **Lack of provision, monitoring and evaluation in relation to infection control practices throughout the home. In this regard, the home must:**
 - Ensure there are readily available supplies to support infection prevention and control practices, including supplies for Routine Practices.
 - Ensure each resident is screened for tuberculosis on admission.
 - Ensure that the infection prevention and control program is included in the program for surveillance, monitoring, evaluating and improving quality.

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- 4) **Lack of assessment provision, monitoring and evaluation of care for residents in physical restraints. In this regard the home must:**
 - Ensure residents are assessed prior to the application of a physical restraint and that appropriate orders are obtained.
 - Ensure when a physical restraint is applied that it is applied in a safe manner and that there is regular monitoring of the resident to ensure the device remains safely applied.
 - Ensure residents receive care, including monitoring, release and re-position, of the device when in physical restraints.
- 5) **Lack of provision, monitoring and evaluation of resident care throughout the home specific to nutritional care. In this regard, the home must:**
 - Ensure that nutritional care is provided to residents in accordance with assessed needs, including interventions associated with therapeutic diets, diet textures, fluid consistencies, special requirements, level of assistance required for eating, and assistive devices.
 - Ensure that an in-depth assessment is completed when there is a change in resident condition.
- 6) **Lack of provision, monitoring and evaluation of resident care plans. In this regard, the home must:**
 - Ensure care plans are reflective of residents' current needs and are based on the information obtained through a comprehensive assessment process.
 - Ensure that resident care plans are evaluated for effectiveness and revised or modified as necessary.
 - Ensure that care plans provide clear direction to staff providing care.
 - Ensure that referrals are made to other disciplines to address residents' current needs.
- 7) **Lack of provision, monitoring and evaluation of a comprehensive Meal Production program. In this regard, the home must:**
 - Ensure all meals are prepared and served according to the approved menus.
 - Ensure all texture modified meals are of the appropriate consistency and texture.
 - Ensure sufficient quantities of foods are prepared and available at meals.
 - Ensure each resident receives the proper diet in relation to texture, type, portion size and any special requirement and/or restrictions.
 - Ensure adequate supplies are available for meal service.
 - Ensure that diet information is reflective of the physician orders, nutritional assessments, and care plan directions.
 - Ensure clear direction is provided to staff preparing and portioning meals.
- 8) **Lack of provision, monitoring and evaluation specific to weight monitoring. In this regard, the home must:**
 - Ensure each resident is weighed or re-weighed as required.
 - Ensure each resident experiencing weight loss/gain is assessed and referred to the Registered Dietitian for appropriate follow-up.
 - Ensure plans of care are modified to address resident specific needs.

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

Health System Accountability and
Performance Division
Performance Improvement and
Compliance Branch

55 St. Clair Avenue West, 8th Floor
Toronto ON M4V 2Y7
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Fax: (416) 327-7603

**Ministère de la Santé
et des Soins de longue durée**

Division de la responsabilisation et de la
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et de la conformité

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March 5, 2010

Mr. Eric Hall
Regional Manager
Diversicare
212 Argenta Road, Suite 301
Streetsville ON L5N 2X4

Mr. Hartley Bricks
Vice President
Deloitte & Touche
1 Concorde Gate, Suite 200
Toronto ON M3C 4G4

Dear Mr. Hall and Mr. Bricks:

Re: West Park Health Centre - Lifting Cessation of Admissions

This letter is further to my correspondence of February 4, 2010, which advised that effective February 4, 2010, I had directed the Hamilton Niagara Haldimand Brant Community Care Access Centre (CCAC) to continue to cease authorizing admissions to West Park Health Centre for an additional 30 days.

This letter will serve to inform you that I have directed the CCAC to resume authorizing admissions to West Park Health Centre, effective March 5, 2010, on the basis set out below.

During a teleconference on Friday, March 5, 2010, with you, representatives from West Park Health Centre, members of the Compliance Team, and Ann-Marie Case, Manager (A), Hamilton Service Area Office it was agreed that admissions to the home will initially be limited to one (1) per week for the first two (2) weeks starting the week of March 8, 2010, and two (2) per week for the following two (2) weeks. By the week of April 5, 2010, we will have further discussions with your team to determine the rate of future admissions.

The home remains subject to unannounced enforcement inspection and monitoring by ministry staff for an additional 90 day period, effective March 5, 2010. A risk review will be conducted prior to the end of the 90 day enforcement period. In the lifting of suspensions at this time, the Ministry of Health and Long-Term Care (Ministry) acknowledges that some progress has been made by the home to address areas of significant risk to residents. The home is, of course, expected to continue corrective actions in relation to the areas of risk which are outlined in the addendum.

-2-

The Compliance Status Report should continue to be forwarded to the Hamilton Service Area Office every two (2) weeks. The next submission is due on March 5, 2010.

If you have any questions, please contact Ann-Marie Case, Manager (A), Hamilton Service Area Office (HSAO) at (905) 546-8273.

Sincerely,



Tim Burns
Director, Performance Improvement and Compliance Branch
Director under s.s. 3(2) *Nursing Homes Act*

Attachment

- c: Ken Deane, Assistant Deputy Minister, Health System Accountability and Performance Division
Sandy Knipfel, Senior Manager, Compliance & Enforcement
Ann-Marie Case, Manager (A), Hamilton Service Area Office
Pat Mandy, Chief Executive Officer, Hamilton Niagara Haldimand Brant LHIN
Melody Miles, Executive Director, Hamilton Niagara Haldimand Brant Community Care Access Centre

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**ADDENDUM to Letter of March 5, 2010****Re: West Park Health Centre – Enforcement and Lifting Cessation of Admissions**

The inspections conducted by the ministry staff of Hamilton Service Area Office indicate that this long-term care home continues to present serious, prevalent and recurrent risk to residents. The key areas of risk and concern, as well as Ministry of Health and Long-Term Care (MOHLTC) requirements as related to these key areas of risk are outlined below.

- 1) Lack of provision and respect for resident's rights. In this regard the home must:**
 - Ensure there is a system in place for monitoring the care being provided to residents that respects their right to be treated with dignity and respect at all times.
 - Ensure there is a system in place that provides residents with an environment that is free of mental and physical abuse.
 - Ensure that complaints/suggestions from residents/family including resident's council are documented, investigated and responded to in accordance within MOHLTC expectations.
- 2) Lack of assessment, planning, care provision, monitoring and evaluation throughout the home specific to resident risk. In this regard, the home must:**
 - Ensure the development and implementation of a risk management program that includes identification of resident risk.
 - Ensure each resident receives assessment, planning, care provision, monitoring and evaluation of care related to their needs with specific attention to:
 1. Responsive behaviors;
 2. Changes in clinical conditions;
 3. Pain management;
 4. Falls;
 5. Bowel management;
 6. Level of assistance required for eating;
 7. Diabetes management; and
 8. Hygiene needs.
- 3) Lack of provision, monitoring and evaluation in relation to infection control practices throughout the home. In this regard, the home must:**
 - Ensure there are readily available supplies to support infection prevention and control practices, including supplies for routine practices.
 - Ensure each resident is screened for tuberculosis on admission.
 - Ensure that the infection prevention and control program is included in the program for surveillance, monitoring, evaluating and improving quality.

-2-

- 4) **Lack of assessment provision, monitoring and evaluation of care for residents in physical restraints. In this regard the home must:**
- Ensure residents are assessed prior to the application of a physical restraint and that appropriate orders are obtained.
 - Ensure when a physical restraint is applied that it is applied in a safe manner and that there is regular monitoring of the resident to ensure the device remains safely applied.
 - Ensure residents receive care, including monitoring, release and re-position, of the device when in physical restraints.
- 5) **Lack of provision, monitoring and evaluation of resident care throughout the home specific to nutritional care. In this regard, the home must:**
- Ensure that nutritional care is provided to residents in accordance with assessed needs, including interventions associated with therapeutic diets, diet textures, fluid consistencies, special requirements, level of assistance required for eating, and assistive devices.
 - Ensure that an in-depth assessment is completed when there is a change in resident condition.
- 6) **Lack of provision, monitoring and evaluation of resident care plans. In this regard, the home must:**
- Ensure care plans are reflective of residents' current needs and are based on the information obtained through a comprehensive assessment process.
 - Ensure that resident care plans are evaluated for effectiveness and revised or modified as necessary.
 - Ensure that care plans provide clear direction to staff providing care.
 - Ensure that referrals are made to other disciplines to address residents' current needs.
- 7) **Lack of provision, monitoring and evaluation of a comprehensive meal production program. In this regard, the home must:**
- Ensure all meals are prepared and served according to the approved menus.
 - Ensure all texture modified meals are of the appropriate consistency and texture.
 - Ensure sufficient quantities of foods are prepared and available at meals.
 - Ensure each resident receives the proper diet in relation to texture, type, portion size and any special requirement and/or restrictions.
 - Ensure adequate supplies are available for meal service.
 - Ensure that diet information is reflective of the physician orders, nutritional assessments, and care plan directions.
 - Ensure clear direction is provided to staff preparing and portioning meals.
- 8) **Lack of provision, monitoring and evaluation specific to weight monitoring. In this regard, the home must:**
- Ensure each resident is weighed or re-weighed as required.
 - Ensure each resident experiencing weight loss/gain is assessed and referred to the Registered Dietitian for appropriate follow-up.
 - Ensure plans of care are modified to address resident specific needs.

- End Addendum -

Ministry of Health
and Long-Term Care

Ministère de la Santé
et des Soins de longue durée



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May 4, 2009

Mr. Eric Hall
Regional Manager
Diversicare
212 Argentia Road, Suite 301
Streetsville ON L5N 2X4

Mr. Hartley Bricks
Deloitte & Touche
1 Concorde Gate, Suite 200
Toronto ON M3C 4G4

Dear Mr. Hall and Mr. Bricks:

Re: Rate of Admissions to West Park Health Centre

This letter is further to my correspondence of March 5, 2010, which advised effective March 8, 2010, that I had directed the Hamilton Niagara Haldimand Brant Community Care Access Centre (CCAC) to resume authorizing admissions to West Park Health Centre at a rate of one admission per week for two weeks and two admissions per week for an additional two weeks. It should be noted that this time period was extended due to the outbreak status at the home.

Based on the results of enforcement monitoring visits, and following a discussion with the compliance team of the Hamilton Service Area Office (HSAO), as well as representatives of the home, and Diversicare corporate staff, it was agreed that the home would resume regular admission practices effective May 4, 2010.

In addition, the compliance team of the HSAO informed you that the home remains subject to enforcement inspection for a period of 90 days, effective March 5, 2010. The home is expected to continue corrective actions in relation to the areas of risk outlined in the attached addendum.

The Compliance Status Report should continue to be forwarded to the Hamilton Service Area Office every two (2) weeks. The next submission is due on May 14, 2009.

.../2

- 2 -

If you have any questions, please contact me, at (905) 546-8273.

Sincerely,



Ann-Marie Case
Manager (A)

Attachment.

- c: Ken Deane, Assistant Deputy Minister, Health System Accountability and Performance Division
- Sandy Knipfel, Senior Manager, Compliance & Enforcement
- Ann-Marie Case, Manager (A), Hamilton Service Area Office
- Pat Mandy, Chief Executive Officer, Hamilton Niagara Haldimand Brant LHIN
- Melody Miles, Chief Executive Officer, Hamilton Niagara Haldimand Brant CCAC

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ADDENDUM to Letter of May 4, 2010

Re: West Park Health Centre – Rate of Admissions

The inspections conducted by the ministry staff of Hamilton Service Area Office indicate that this long-term care home continues to present serious, prevalent and recurrent risk to residents. The key areas of risk and concern, as well as MOHLTC requirements as related to these key areas of risk are outlined below.

- 1) **Lack of provision and respect for resident's rights. In this regard the home must:**
 - Ensure there is a system in place for monitoring the care being provided to residents that respects their right to be treated with dignity and respect at all times.
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- Ensure each resident is weighed or re-weighed as required.
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 - Ensure plans of care are modified to address resident specific needs.

- End Addendum -

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October 28, 2010

Ms. Marjorie Mossman
Administrator
West Park Health Centre
103 Pelham Road
St. Catharines ON L2S 1S9

Dear Ms. Mossman:

Please find enclosed the *Inspection Report-Public Copy* for an inspection conducted July 21, 22, 23, 26, 27, 28, 2010 under the *Long-Term Care Homes Act, 2007* (LTCHA) for the purpose of ensuring compliance with requirements under the LTCHA.

This inspection report must be posted in the home, in a conspicuous and easily accessible location in accordance with the LTCHA, 2007, S.O. 2007, c.8, s.79 (1) and (2).

A copy of the *Inspection Report-Public Copy* must be made available without charge upon request. The report will also be on file with the Hamilton Service Area Office, Performance Improvement and Compliance Branch.

Yours truly,

Michelle Warrener
LTC Homes Inspector
Dietary

Elisa Wilson
LTC Homes Inspector
Dietary

Marilyn Tone
LTC Homes Inspector
Nursing

Laleh Newell
LTC Homes Inspector
Nursing

Richard Hayden
LTC Homes Inspector
Environmental Health

Enclosure
MW:tb

Rec'd JAN 25 2011



**Inspection Report
under the Long-Term
Care Homes Act, 2007**

**Rapport d'inspection¹⁰⁵
prévues le Loi de 2007
les foyers de soins de
longue durée**

Ministry of Health and Long-Term Care
Health System Accountability and Performance Division
Performance Improvement and Compliance Branch

Hamilton Service Area Office
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**Ministère de la Santé et des Soins de
longue durée**

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<input type="checkbox"/> Licensee Copy/Copie du Titulaire <input checked="" type="checkbox"/> Public Copy/Copie Public		
Date(s) of inspection/Date de l'inspection July 21, 22, 23, 26, 27 and 28, 2010	Inspection No/ d'inspection 2010_107_1500_20Jul141501 2010_127_1500_20Jul160521 2010_147_1500_26Jul102910 2010_167_1500_20Jul124114 2010_171_1500_20Jul141510	Type of Inspection/Genre d'inspection Follow Up Inspection H-01910
Licensee/Titulaire 1508669 Ontario Limited c/o Deloitte & Touche Inc. - 181 Bay Street Brookfield Place, Suite 1400, Toronto, ON M5J 2V1 Fax: 416-601-6690		
Long-Term Care Home/Foyer de soins de longue durée West Park Health Centre, 103 Pelham Road, St. Catharines, ON L2S 1S9		
Name of Inspector(s)/Nom de l'inspecteur(s) Michelle Warrener - LTC Homes Inspector - Dietary - # 107 Elisa Wilson - LTC Homes Inspector - Dietary - # 171 Marilyn Tone - LTC Homes Inspector - Nursing - # 167 Laleh Newell - LTC Homes Inspector - Nursing - # 147 Richard Hayden - LTC Homes Inspector - Environmental Health - # 127		



Inspection Summary/Sommaire d'inspection

The purpose of this inspection was to conduct a follow up inspection in respect of the following previously identified non-compliance:

Follow-up Inspection May 25, 2010

NHA, R.S.O. 1990, Ch N7, Sec 5(2); NHA, R.S.O. 1990, Reg. 832, Section 29; and O2.9

Follow-up Inspection April 7, 2010

NHA, R.S.O. 1990, Ch N7, Sec 5(2); NHA, R.S.O. 1990, Reg. 832, Section 29; and O2.9

Follow-up Inspection June 21-26, 2010

NHA, R.S.O. 1990, Ch N7, Sec 20.10 related to un-met criteria B1.2, B2.4, B3.23, B3.24

Follow-up Inspection January 7, 2010

NHA, R.S.O. 1990, Reg. 832, Section 75(4) related to un-met criterion P1.4

Follow-up Inspection July 7,8,10,15,17, 2009

B1.6, B3.32

During the course of the inspection, the inspector(s) spoke with the Administrator, Director of Care, Nutrition Manager, Environmental Services Manager, Clinical Dietitian, front line nursing staff (RPN, RN, PSWs) on the first and second floor, Dietary Aides, and Residents.

During the course of the inspection, the inspectors:

Reviewed health care records, reviewed policy and procedures, observed meal service, observed care, toured the home, and observed staff in routine duties.

The following Inspection Protocols were used during this inspection:

- Nutrition and Hydration
- Continence Care and Bowel Management
- Food Quality Inspection
- Dining Observation Inspection
- Personal Support Services
- Accommodation Services - Maintenance
- Safe and Secure Home

☒ Findings of Non-Compliance were found during this inspection. The following action was taken:

18 WN

9 VPC

3 CO: CO #s 001, 002 and 003.

Corrected Non-Compliance is listed in the section titled Corrected Non-Compliance.



NON- COMPLIANCE / (Non-respectés)

Definitions/Définitions

WN – Written Notifications/Avis écrit
VPC – Voluntary Plan of Correction/Plan de redressement volontaire
DR – Director Referral/Régisseur envoyé
CO – Compliance Order/Ordres de conformité
WAO – Work and Activity Order/Ordres: travaux et activités

The following constitutes written notification of non-compliance under paragraph 1 of section 152 of the LTCHA.

Non-compliance with requirements under the *Long-Term Care Homes Act, 2007* (LTCHA) was found. (A requirement under the LTCHA includes the requirements contained in the items listed in the definition of "requirement under this Act" in subsection 2(1) of the LTCHA.)

Le suivant constituer un avis d'écrit de l'exigence prévue le paragraphe 1 de section 152 de la Loi de 2007 les foyers de soins de longue durée.

Non-respect avec les exigences sur la *Loi de 2007 les foyers de soins de longue durée* à trouvé. (Une exigence dans la loi comprend les exigences contenues dans les points énumérés dans la définition de "exigence prévue par la présente loi" au paragraphe 2(1) de la loi.

WN#1: The Licensee has failed to comply with LTCHA, 2007, S.O. 2007, c.8, s.5.

Every licensee of a long-term care home shall ensure that the home is a safe and secure environment for its residents.

Findings:

July 21, 2010:

1. The courtyard/garden gate leading to a concrete staircase was not latched or securely closed. A new fence was installed and the gate latch was not replaced. Residents have access to this unsecured gate and the concrete staircase while in the courtyard/garden. A wheelchair could topple down the staircase or a resident may exit the property.
2. Four wardrobes were not secure and posed tipping hazards in two identified resident rooms.
3. The flooring transition strip was lifted at the entrance to an identified resident room, creating a trip hazard.
4. The placement of tables in the second floor dining room was unsafe at the dinner meal. The table placement caused congestion in the main walkway through the dining room to the left of the steam table. Staff could not walk straight through with trays of food, nor could residents get through with wheelchairs or walkers.

July 22, 2010:

1. Slip and fall hazards due to the loose toilet seats were identified in eight washrooms.
2. Slip and fall hazard due to a toilet not being secured to the floor in a washroom. The toilet rocked back and forth on its base.

Inspector ID #: #127, #171

Additional Required Actions:

CO # 001 will be served on the licensee. Refer to the "Order(s) of the Inspector" form.

WN #2: The Licensee has failed to comply with LTCHA, 2007, S.O. 2007, c.8, s. 6 (1) (c).

Every licensee of a long-term care home shall ensure that there is a written plan of care for each resident that sets out,

(c) clear directions to staff and others who provide direct care to the resident.

Findings:

1. The plan of care for an identified resident provides conflicting information related to Advance Directives. The progress notes indicate Advance Directives were signed as Level 1 by the Power of Attorney in May, 2010, however, the plan of care indicates Level 3.
2. The plan of care for an identified resident does not provide clear direction to staff and others who provide direct care to the resident. Several different versions of the plan of care were identified and each version described a different level of intervention required. It was not clear which version was the most current.
3. The dietitian changed an identified resident's diet to regular with specialized restrictions in July, 2010 but the Dining Service Report still showed the previous diet at the time of this visit July 22, 2010. There were no directions for staff regarding the provision of the specialized diet. It is also documented in the plan of care to provide diabetic interventions but no details as to how that instruction relates to foodservice.
4. The plan of care does not provide clear direction to the staff related to an identified resident's one sided weakness as this is needed for safe transferring and positioning.
5. No plan of care was found for an identified resident to indicate an assessment had been completed related to the resident's sleep patterns and preferences. As a result this did not provide clear directions for the staff providing care.

Inspector ID #: #107, #171, #147

Additional Required Actions:

VPC - pursuant to the *Long-Term Care Homes Act, 2007*, S.O. 2007, c.8, s.152(2) the licensee is hereby requested to prepare a written plan of correction for achieving compliance with the plan of care providing clear directions to staff and others who provide direct care to the resident, to be implemented voluntarily.

WN #3: The Licensee has failed to comply with LTCHA, 2007, S.O. 2007, c. 8, s. 6 (4) (b). The licensee shall ensure that the staff and others involved in the different aspects of care of the resident collaborate with each other,
 (b) in the development and implementation of the plan of care so that the different aspects of care are integrated and are consistent with and complement each other.

Findings:

1. The nutritional assessment and plan of care for an identified resident are not consistent with each other. The nutritional assessment completed by the in-house Registered Dietitian identifies that the resident requires a menu that is restricted in a particular nutrient. The menu provided to the resident was developed by the Corporate Registered Dietitian and is not consistent with the resident's assessed requirements. The nutrient analysis, for the menu the resident is currently receiving, identifies the resident is receiving quantities of the restricted nutrient that are 48-52% higher than the resident's requirements. The resident has experienced weight gain this quarter.

Inspector ID #: #107

Additional Required Actions:

VPC - pursuant to the *Long-Term Care Homes Act, 2007*, S.O. 2007, c.8, s.152(2) the licensee is hereby requested to prepare a written plan of correction for achieving compliance with ensuring that the different aspects of care are integrated and are consistent with and complement each other, to be implemented voluntarily.

WN #4: The Licensee has failed to comply with LTCHA, 2007, S.O. 2007, c. 8, s. 6. (7).
The licensee shall ensure that the care set out in the plan of care is provided to the resident as specified in the plan.

Findings:

The care set out in the plan of care was not always provided to residents at the lunch meal July 21, 2010:

1. Four identified residents did not have their prescribed nutritional supplement provided.
2. Specific items required for a specialized menu were available, however, were not offered/provided to residents requiring the menu, resulting in five residents receiving items contrary to their prescribed diet order.
3. Three identified residents did not receive specialized items identified on their plans of care and/or received items that are identified as dislikes.

The care set out in the plan of care was not always provided to residents at the lunch meal July 26, 2010:

1. In discussion with the Registered Practical Nurse (RPN) it was noted that three residents were given the incorrect nutritional supplement. The supplement formulation provided to the residents was not consistent with the physician ordered supplements. The supplements provided were not of equivalent nutritional value, resulting in the residents being provided fewer calories than their prescribed order. The residents are at nutrition risk.
2. An identified resident had left the dining room without being provided the ordered nutritional supplement.
3. An identified resident requiring a specialized menu received an item that was contrary to their prescribed menu plan.

The care set out in the plan of care was not provided to the following residents as specified in the plan:

1. The plan of care set out for an identified resident indicates that the resident's bathing preference is for showers, however, the flow sheet for July 2010 indicates that the resident has been receiving tub baths and bed baths.
2. The plan of care set out for an identified resident indicates that the resident's bathing preference is for tub baths, however, the flow sheet for the month of July 2010 indicates that the resident received three tub baths and three showers to date.
3. The plan of care set out for an identified resident indicates that the resident's bathing preference is for tub baths, however, the flow sheet for the month of July 2010 indicates that the resident has received seven showers to date.

Inspector ID #: #107, #147

Additional Required Actions:

CO # 002 will be served on the licensee. Refer to the "Order(s) of the Inspector" form.

WN #5: The Licensee has failed to comply with LTCHA, 2007, S.O. 2007, c. 8, s. 6. (8).

The licensee shall ensure that the staff and others who provide direct care to a resident are kept aware of the contents of the resident's plan of care and have convenient and immediate access to it.



Findings:

1. The nutritional plan of care for an identified resident is stored on the computer, however, the plan is not available / accessible for staff and others who provide direct care to the resident. Front line staff does not have access to the computer and the plan was not printed.
2. The nutrition section of the plan of care for an identified resident was not accessible to staff. The plan was stored in the computer, which is not accessible to front line staff providing care. The nutrition section was not included in the printed summary of the plan of care, which was accessible to staff.

Inspector ID #: #107, #171

WN #6: The Licensee has failed to comply with LTCHA, 2007, S.O. 2007, c. 8, s. 6. (10) (b) and (c). The licensee shall ensure that the resident is reassessed and the plan of care reviewed and revised at least every six months and at any other time when,
(b) the resident's care needs change or care set out in the plan is no longer necessary; or
(c) care set out in the plan has not been effective.

Findings:

1. An identified resident was not reassessed and the plan of care reviewed and revised when there was a significant decline in the resident's hydration status. The resident has been consistently consuming less fluid than their assessed requirements in a 9 day period in July, 2010; however, documentation in the resident's record does not indicate an assessment of the decrease in hydration or a referral to the Registered Dietitian. The resident did not meet their hydration requirement on eight out of nine days reviewed.
2. The plan of care for an identified resident was not revised when the resident's care needs changed in relation to skin integrity. The plan for skin integrity does not reflect the current status of the resident (now has an open area/wound), resulting in unclear direction for staff providing care.
3. The most current plan of care for an identified resident does not reflect the current status of the resident's wound. Documentation in the progress notes indicates that the wound has worsened but the plan of care has not been updated to reflect this change.
4. For an identified resident, the nutritional plan of care was not revised to reflect the resident's current status. The nutritional plan of care for the identified resident directs staff provide a specific intervention related to hyperglycemia but this intervention had been discontinued by the resident's physician.
5. An identified resident sustained a number of falls within a specified timeframe. The plan of care related to falls risk for the identified resident was not effective in the prevention of these falls. The plan of care was not reviewed or revised to address this concern.
6. An identified resident was not reassessed following a change in care needs. The last Dietitian's note was in May indicating the need for a test to determine potential diet changes and a follow-up to be done in a week's time. The test was completed. A follow-up assessment by the Dietitian has not been completed and there is no Dietitian consult regarding the results of the testing.

Inspector ID #: #107, #167, #171

Additional Required Actions:

VPC - pursuant to the *Long-Term Care Homes Act, 2007*, S.O. 2007, c.8, s.152 (2) the licensee is hereby requested to prepare a written plan of correction for achieving compliance with ensuring that residents are reassessed and the plan of care reviewed and revised when the residents' care needs change, care set out in the plan is no longer necessary, or the care set out in the plan has not been effective, to be implemented voluntarily.

WN #7: The Licensee has failed to comply with LTCHA, 2007, S.O. 2007, c. 8, s. 15. (2)(c). Every licensee of a long-term care home shall ensure that,
(c) the home, furnishings and equipment are maintained in a safe condition and in a good state of repair.

Findings:

July 21 2010

1. The door hinge at the top an identified resident's wardrobe was not attached.
2. The wall surrounding the bathtub in an identified resident's washroom was damaged; paint was cracked and the wall board has deteriorated.
3. The toilet was cracked at its base in an identified washroom.
4. Tub Room 21 – The interior surface of the bathtub was peeling around the drain. The bathtub could not be properly cleaned and disinfected.

Inspector ID #: #127

WN #8: The Licensee has failed to comply with O. Reg. 79/10, s. 8 (1) (b).

Where the Act or this Regulation requires the licensee of a long-term care home to have, institute or otherwise put in place any plan, policy, protocol, procedure, strategy or system, the licensee is required to ensure that the plan, policy, protocol, procedure, strategy or system,

(b) is complied with.

Findings:

1. The Home's policy and procedure number NM-II-D020 related to diabetic monitoring was not followed for an identified resident as evidenced by the following examples:
 - a. The identified resident was noted to have a high capillary blood glucose reading. Documentation in the resident's progress notes indicates that when the capillary blood glucose reading was rechecked it was even higher. There was no documentation found to indicate that the resident's blood glucose reading was checked again nor was there documentation to indicate that the physician and family/SDM were notified as per the home's policy number NM-II-D020.
 - b. The identified resident's capillary blood glucose reading was noted to be high. It is documented that water was given and that the resident's blood glucose level was checked again at an unknown time and was found to be even higher. No further documentation was found related to follow up as per the home's policy NM-II-D020.
 - c. The identified resident's capillary blood glucose reading was noted to be high at lunchtime. The resident was offered fluids but no other intervention took place as per the home's policy NM-II-D020.
2. The planned portion sizes were not always followed by staff portioning the lunch meal July 21, 2010 in the first floor dining room. The planned menu for the pureed citrus spring salad states #12 scoop - #10 was used (larger scoop was used). The planned menu for the pureed salmon sandwich states #8 scoop - # 12 was used (smaller scoop was used). Inconsistencies in portion size will result in variation in the nutritional value of the meal in comparison to the planned menu.

Inspector ID #: #167, #107

Additional Required Actions:

VPC - pursuant to the *Long-Term Care Homes Act, 2007*, S.O. 2007, c.8, s.152(2) the licensee is hereby requested to prepare a written plan of correction for achieving compliance with following the Home's policies



and procedures, to be implemented voluntarily.

WN #9: The Licensee has failed to comply with O. Reg. 79/10, s. 9.1. i and ii
Every licensee of a long-term care home shall ensure that the following rules are complied with:

1. All doors leading to stairways and the outside of the home must be,
 - i. kept closed and locked,
 - ii. equipped with a door access control system that is kept on at all times

Findings:

July 21 2010

1. The door leading to the courtyard/garden from the 1st floor lounge was not closed, locked or alarmed. The gates leading from the courtyard/garden were not secured and allowed a resident to exit the property without staff knowledge.

Inspector ID #: #127

Additional Required Actions:

VPC - pursuant to the *Long-Term Care Homes Act, 2007*, S.O. 2007, c.8, s.152 (2) the licensee is hereby requested to prepare a written plan of correction for achieving compliance with ensuring that all doors leading to stairways and the outside of the home are kept closed and locked and equipped with a door access control system that is kept on at all times, to be implemented voluntarily.

WN #10: The Licensee has failed to comply with O. Reg. 79/10, s. 13.

Every licensee of a long-term care home shall ensure that every resident bedroom occupied by more than one resident has sufficient privacy curtains to provide privacy.

Findings:

July 21 2010

1. The privacy curtains do not fully enclose the residents' beds in three resident rooms. More than one wardrobe was located inside the privacy curtained areas in these resident rooms. Therefore, residents wishing to access their wardrobes would have to enter the privacy curtained area of the other resident, compromising that resident's privacy.

Inspector ID #: #127

WN #11: The Licensee has failed to comply with O. Reg. 79/10, s. 26 (3) 13.

A plan of care must be based on, at a minimum, interdisciplinary assessment of the following with respect to the resident:

13. Nutritional status, including height, weight and any risks relating to nutrition care.

Findings:

1. The plan of care interventions are not always based on a full nutrition assessment. An identified resident had a diet change from one therapeutic diet to another, however a complete nutritional assessment was not documented. There was no assessment of the resident's nutritional status in relation to weight gain, supplement use, nutritional laboratory tests or status of wound.



Inspector ID #:	#171
Additional Required Actions: VPC - pursuant to the <i>Long-Term Care Homes Act, 2007</i> , S.O. 2007, c.8, s.152(2) the licensee is hereby requested to prepare a written plan of correction for achieving compliance with ensuring there is an interdisciplinary assessment of nutritional status, including height, weight and any risks relating to nutrition care, to be implemented voluntarily.	

WN #12: The Licensee has failed to comply with O. Reg. 79/10, s. 30 (2). The licensee shall ensure that any actions taken with respect to a resident under a program, including assessments, reassessments, interventions and the resident's responses to interventions are documented.	
Findings: <ol style="list-style-type: none">1. Review of the 1st floor Treatment Administration Records for July 2010 - Six residents were identified as not having their treatment plan as ordered by the physician, signed off by the registered staff.2. Review of the 2nd floor Treatment Administration Records for July 2010 - Two residents were identified as not having their treatment plan as ordered by the physician, signed off by the registered staff.	
Inspector ID #:	#147

WN #13: The Licensee has failed to comply with O. Reg. 79/10, s. 69.1. Every licensee of a long-term care home shall ensure that residents with the following weight changes are assessed using an interdisciplinary approach, and that actions are taken and outcomes are evaluated: <ol style="list-style-type: none">1. A change of 5 per cent of body weight, or more, over one month.	
Findings: <ol style="list-style-type: none">1. An identified resident had a documented 9.5% weight loss for the month of July, 2010 and documentation in the resident's record did not reflect that the significant weight loss had been assessed (as of July 21, 2010) or action taken. A re-weigh (to verify the accuracy of the significant weight change) had not been completed.2. An identified resident had a recorded 10% weight loss for the month of July, 2010. An assessment of the significant weight change has not been completed by the multidisciplinary team (as of July 21, 2010) and a referral to the Registered Dietitian has not been documented.3. An identified resident had a documented weight loss of 11% in July, 2010. An initial assessment of the weight change was not completed by the multidisciplinary team and a referral to the Registered Dietitian was not completed (as of July 21, 2010). Action was not taken to address the weight change.4. An identified resident had a significant weight gain of 8% in July, 2010, however, there were no assessments of this change documented and no referral to the dietitian regarding weight gain.5. An identified resident had a 10% weight loss in one month recorded in July, 2010 with no progress notes, assessments or a referral to the dietitian noted since that time to address the weight loss.	

Inspector ID #:	#107, #171
Additional Required Actions: CO # 003 will be served on the licensee. Refer to the "Order(s) of the Inspector" form.	

WN #14: The Licensee has failed to comply with O. Reg. 79/10, s. 71 (5).

The licensee shall ensure that an individualized menu is developed for each resident whose needs cannot be met through the home's menu cycle.

Findings:

1. An individualized menu was not developed for an identified resident who required a specialized menu. Direction is not provided for staff portioning meals and a menu plan is not in place to ensure adequate variety and nutritional value if substitutions are required due to the nutritional restrictions.

Inspector ID #: #171

Additional Required Actions:

VPC - pursuant to the *Long-Term Care Homes Act, 2007*, S.O. 2007, c.8, s.152(2) the licensee is hereby requested to prepare a written plan of correction for achieving compliance with developing an individualized menu for each resident whose needs cannot be met through the home's menu cycle, to be implemented voluntarily.

WN #15: The Licensee has failed to comply with O. Reg. 79/10, s. 73 (1) 5. and 9.

Every licensee of a long-term care home shall ensure that the home has a dining and snack service that includes, at a minimum, the following elements:

5. A process to ensure that food service workers and other staff assisting residents are aware of the residents' diets, special needs and preferences.
9. Providing residents with any eating aids, assistive devices, personal assistance and encouragement required to safely eat and drink as comfortably and independently as possible.

Findings:

1. The Home has a process for providing information to food service workers and other staff assisting residents are aware of residents' diets, special needs, and preferences, however, the process was not followed in a timely manner, resulting in current information not being available to provide direction to staff for the following residents: An identified resident had their diet order changed by the physician on July 19/10, however, the July 21, 2010 supper dining room serving list had not been updated with the new diet order. An identified resident had their diet order changed by the physician on July 19/10, however, the July 21, 2010 lunch and supper dining room serving list were not updated to reflect the current diet. The resident received the wrong diet texture at the lunch meal July 21, 2010.
2. Staff did not have clear direction regarding dietary needs for an identified resident at lunch on July 21, 2010 as this resident did not appear on the Dining Serving Report list.
3. An identified resident did not receive the required level of assistance with eating to safely eat and drink as comfortably and independently as possible at the lunch meal July 21, 2010. Numerous staff were observed assisting the resident intermittently and staff were up and down frequently, interrupting the dining experience for the resident.
4. An identified resident did not receive a lipped plate (as required in their plan of care to promote independence with eating) at the lunch meal July 21, 2010.
5. An identified resident did not receive the required level of encouragement with eating. The resident left at least 50% of both lunch and dinner uneaten on July 21, 2010, and left the table without redirection to the task of eating. The plan of care states the resident may get distracted or leave the table and is to be redirected to the task of eating, which did not occur. This resident has had a significant weight loss recorded in July, 2010.
6. The plan of care for an identified resident indicates a requirement for assistive devices at meals to



assist the resident with eating safely, comfortably and as independently as possible. On July 21, 2010 at lunch and dinner the resident did not receive the required assistive devices.

Inspector ID #: #107, #171

Additional Required Actions:

VPC - pursuant to the *Long-Term Care Homes Act, 2007*, S.O. 2007, c.8, s.152(2) the licensee is hereby requested to prepare a written plan of correction for achieving compliance with ensuring a process is in place to ensure that food service workers and other staff assisting residents are aware of the residents' diets, special needs and preferences, and to ensure any eating aids, assistive devices, personal assistance and encouragement required to safely eat and drink as comfortable and independently as possible, are provided to residents, to be implemented voluntarily.

WN #16: The Licensee has failed to comply with O. Reg. 79/10, s. 91.

Every licensee of a long-term care home shall ensure that all hazardous substances at the home are labelled properly and are kept inaccessible to residents at all times.

Findings:

July 21 2010

1. An identified resident had two spray bottles of *Tana All-Protector* stored in their wardrobe. The label indicated the product was flammable, poisonous and explosive.

Inspector ID #: #127

WN #17: The Licensee has failed to comply with O. Reg. 79/10, s. 131 (2)

The licensee shall ensure that drugs are administered to residents in accordance with the directions for use specified by the prescriber.

Findings:

1. Two identified residents had no bowel movement for 4 consecutive days in July, 2010. The residents did not receive 30mls of Milk of Magnesia on day three or Dulcolax Suppository on day four as per Doctor's signed Medical Directive.
2. An identified resident had no bowel movement for 6 consecutive days in July, 2010. The resident did not receive 30mls of Milk of Magnesia on day three or Dulcolax Suppository on day four or fleet enema on day five as per Doctor's signed Medical Directive.

Inspector ID #: #147

WN #18: The Licensee has failed to comply with O. Reg. 79/10, s. 231 (a) and (b).

Every licensee of a long-term care home shall ensure that,
(a) a written record is created and maintained for each resident of the home; and
(b) the resident's written record is kept up to date at all times.

Findings:

1. An identified resident did not have their written record maintained and kept up to date. The food and fluid intake record was not dated (maintained) for the month of July 2010.



Ministry of Health and
Long-Term Care

Ministère de la Santé et
des Soins de longue durée

Inspection Report
under the Long-
Term Care Homes
Act, 2007

Rapport d'inspection 16
prévus le Loi de 2007
les foyers de soins
de longue durée


2. An identified resident did not have their written record kept up to date at all times. Food and fluid consumption was not documented for the lunch meal July 21, 2010 when referenced by the inspector on July 22, 2010. The resident is at nutritional risk.

Inspector ID #: #107

Additional Required Actions:

VPC - pursuant to the *Long-Term Care Homes Act, 2007*, S.O. 2007, c.8, s.152 (2) the licensee is hereby requested to prepare a written plan of correction for achieving compliance with ensuring a written record is created and maintained for each resident of the home and that the resident's written record is kept up to date at all times, to be implemented voluntarily.

CORRECTED NON-COMPLIANCE Non-respects à Corrigé				
REQUIREMENT EXIGENCE	TYPE OF ACTION/ORDER	ACTION/ ORDER #	INSPECTION REPORT #	INSPECTOR ID #
NHA, R.S.O. 1990, Reg 832, Section 75(4) related to un- met criterion P1.4			75. (1) Every administrator shall ensure that, (4) The same foods shall not be served in the same form on the same day, or on consecutive days nor shall the same food in the same form be served on the same day of consecutive weeks except where a majority of the residents indicate the contrary to the administrator. R.R.O. 1990, Reg. 832, s. 75 (4).	#107
NHA, R.R.O. 1990, Reg. 832, s.29			29. Every nursing home shall have the following minimum levels of illumination: 1. 215.28 lux continuous lighting in all corridors.	#127

Signature of Licensee or Representative of Licensee Signature du Titulaire du représentant désigné		Signature of Health System Accountability and Performance Division representative/Signature du (de la) représentant(e) de la Division de la responsabilisation et de la performance du système de santé.	
Title: _____ Date: _____		 Date of Report: (if different from date(s) of inspection). October 12, 2010	



Ministry of Health and Long-Term Care
Health System Accountability and Performance Division
Performance Improvement and Compliance Branch

Ministère de la Santé et des Soins de longue durée
Division de la responsabilisation et de la performance du système de santé
Direction de l'amélioration de la performance et de la conformité

Order(s) of the Inspector

Pursuant to section 153 and/or section 154 of the
Long-Term Care Homes Act, 2007, S.O. 2007, c.8

Name of Inspector:	Michelle Warrener	Inspector ID #	107
Inspection Report #:	2010_107_1500_20Jul141501 2010_127_1500_20Jul160521 2010_147_1500_26Jul102910 2010_167_1500_20Jul124114 2010_171_1500_20Jul141510		
Type of Inspection:	Follow Up		
Licensee:	1508669 Ontario Limited c/o Deloitte & Touche Inc. 181 Bay Street Brookfield Place, Suite 1400 Toronto ON M5J 2V1		
LTC Home:	West Park Health Centre 103 Pelham Street St. Catherine's, ON L2S 1S9		
Name of Administrator:	Marjorie Mossman		

To 1508669 Ontario Limited, you are hereby required to comply with the following orders by the dates set out below:

Order #:	001	Order Type:	Compliance Order, Section 153 (1)(a)
Pursuant to: LTCHA, 2007, S.O. 2007, c. 8, s. 5. Every licensee of a long-term care home shall ensure that the home is a safe and secure environment for its residents.			
Order: The licensee shall: <ol style="list-style-type: none"> 1. Secure the gates of the courtyard/garden and keep them secure at all times such that residents may not exit the property from that area. 2. Stabilize and tether to the wall all wardrobes in identified resident rooms to eliminate the risk of the wardrobes tipping over. 			



Ministry of Health and Long-Term Care
 Health System Accountability and Performance Division
 Performance Improvement and Compliance Branch

Ministère de la Santé et des Soins de longue durée
 Division de la responsabilisation et de la performance du système de santé
 Direction de l'amélioration de la performance et de la conformité

3. Repair the transition strip at the entrance to an identified resident room such that it sits flush and no longer poses a trip hazard.
4. Repair, or replace as necessary, the toilet seats in identified resident rooms such that the toilet seats do not slip in any direction and cause any resident to slip and fall.
5. Secure the toilet to the floor in Washroom 24 such that it does not rock back and forth in any direction and cause any resident to slip and fall.

Grounds:

21 July 2010

1. The courtyard/garden gate leading to a concrete staircase was not latched or securely closed.
2. Four wardrobes were not secure and posed tipping hazards.
3. The flooring transition strip was lifted at the entrance to a resident's room.

22 July 2010

1. Slip and fall hazards due to the loose toilet seats in eight areas.
2. Slip and fall hazard due to a toilet not being secured to the floor.

This order must be complied with by: 15 November 2010

Order #:	002	Order Type:	Compliance Order, Section 153 (1)(a)
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Pursuant to:

LTCHA, 2007, S.O. 2007, c. 8, s. 6. (7) The licensee shall ensure that the care set out in the plan of care is provided to the resident as specified in the plan.

Order:

The licensee shall prepare, submit and implement a written plan for achieving compliance to meet the requirement that the care set out in the plan of care is provided to the resident as specified in the plan. The plan is to be submitted to Inspector: Michelle Warrener, Ministry of Health and Long-Term Care, Performance Improvement and Compliance Branch, 119 King Street West, 11th Floor, Hamilton ON L8P 4Y7, Fax 905-546-8255.

Grounds:

The care set out in the plan of care was not always provided to residents at the lunch meal July 21, 2010:

1. Three residents did not have their prescribed nutritional supplement provided.
2. Specific menu items required for the renal menu were available, however, were not offered/provided to residents requiring the menu, resulting in residents receiving items contrary to their prescribed diet order for five residents.
3. One resident did not receive interventions identified on the plan of care to address constipation and hydration.
4. Two residents did not receive the preferred items identified on the plan of care.

The care set out in the plan of care was not always provided to residents at the lunch meal July 26, 2010:



Ministry of Health and Long-Term Care
Health System Accountability and Performance Division
Performance Improvement and Compliance Branch

Ministère de la Santé et des Soins de longue durée
Division de la responsabilisation et de la performance du système de santé
Direction de l'amélioration de la performance et de la conformité

1. In discussion with the RPN it was noted that three residents were given the incorrect nutritional supplement. The supplement formulations are not of equivalent nutritional value, resulting in the residents being provided fewer calories than their prescribed order. The residents are at nutrition risk.
2. One resident had left the dining room without being provided the ordered nutritional supplement.
3. One resident received items that were not allowed on the planned menu due to nutritional restrictions.

The care set out in the plan of care was not provided to the following residents as specified in the plan:

1. Three residents did not receive their preferred bathing preference as indicated on their plans of care.

This order must be complied with by: 26 October 2010

Order #:	003	Order Type:	Compliance Order, Section 153 (1)(a)
Pursuant to: O. Reg. 79/10, s. 69.1 Every licensee of a long-term care home shall ensure that residents with the following weight changes are assessed using an interdisciplinary approach, and that actions are taken and outcomes are evaluated: 1. A change of 5 per cent of body weight, or more, over one month.			
Order: The Licensee shall review all residents including the five identified and any resident who experiences a weight changes as defined by 69.1 shall be immediately assessed with interdisciplinary actions taken and outcomes evaluated as appropriate.			
Grounds: 1. Five identified residents with significant weight changes were not immediately assessed with interdisciplinary actions taken and outcomes evaluated.			
This order must be complied with by:		26 October 2010	

REVIEW/APPEAL INFORMATION

TAKE NOTICE:

The Licensee has the right to request a review by the Director of this (these) Order(s) and to request that the Director stay this (these) Order(s) in accordance with section 163 of the *Long-Term Care Homes Act, 2007*.

The request for review by the Director must be made in writing and be served on the Director within 28 days from the day the order was served on the Licensee.

The written request for review must include,



Ministry of Health and Long-Term Care
 Health System Accountability and Performance Division
 Performance Improvement and Compliance Branch

Ministère de la Santé et des Soins de longue durée
 Division de la responsabilisation et de la performance du système de santé
 Direction de l'amélioration de la performance et de la conformité

- (a) the portions of the order in respect of which the review is requested;
- (b) any submissions that the Licensee wishes the Director to consider; and
- (c) an address for service for the Licensee.

The written request for review must be served personally, by registered mail or by fax upon:

Director
 c/o Appeals Clerk
 Performance Improvement and Compliance Branch
 Ministry of Health and Long-Term Care
 55 St. Clair Ave. West
 Suite 800, 8th floor
 Toronto, ON M4V 2Y2
 Fax: 416-327-7603

When service is made by registered mail, it is deemed to be made on the fifth day after the day of mailing and when service is made by fax, it is deemed to be made on the first business day after the fax is sent. If the Licensee is not served with written notice of the Director's decision within 28 days of receipt of the Licensee's request for review, this(these) Order(s) is(are) deemed to be confirmed by the Director and the Licensee is deemed to have been served with a copy of that decision on the expiry of the 28 day period.

The Licensee has the right to appeal the Director's decision on a request for review of an Inspector's Order(s) to the Health Services Appeal and Review Board (HSARB) in accordance with section 164 of the *Long-Term Care Homes Act, 2007*. The HSARB is an independent group of members not connected with the Ministry. They are appointed by legislation to review matters concerning health care services. If the Licensee decides to request a hearing, the Licensee must, within 28 days of being served with the notice of the Director's decision, mail or deliver a written notice of appeal to both:

Health Services Appeal and Review Board
 Attention Registrar
 151 Bloor Street West
 9th Floor
 Toronto, ON
 M5S 2T5

and the Director
 c/o Appeals Clerk
 Performance Improvement and Compliance Branch
 55 St. Claire Avenue, West
 Suite 800, 8th Floor
 Toronto, ON M4V 2Y2

Fax: 416-327-7603

Upon receipt, the HSARB will acknowledge your notice of appeal and will provide instructions regarding the appeal process. The Licensee may learn more about the HSARB on the website www.hsarb.on.ca.

Issued on this 12 day of October, 2010.	
Signature of Inspector:	
Name of Inspector:	Michelle Warrener
Service Area Office:	Hamilton Service Area Office

Paragon Health Care Inc. et al
Operating Statement for the Period
January 24, 2006 to November 30, 2010

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 November 30, 2010	January 24, 2006 to November 30, 2010
Revenue						
Ministry of Health revenue	\$ 3,152,020	\$ 3,514,983	\$ 3,823,576	\$ 3,922,607	\$ 3,340,070	\$ 17,753,256
Resident revenue	1,370,056	1,508,587	1,503,911	1,563,928	1,574,273	7,520,755
Ancillary revenue	9,849	16,627	16,251	10,178	7,891	60,796
Total Revenue	\$ 4,531,925	\$ 5,040,197	\$ 5,343,738	\$ 5,496,713	\$ 4,922,234	\$ 25,334,807
Operating Expenses						
Salaries, wages & benefits	\$ 3,040,133	\$ 3,434,675	\$ 3,717,664	\$ 3,833,715	\$ 3,794,117	\$ 17,820,304
Food and supplies	454,817	496,845	511,718	536,419	472,796	2,472,595
General & administration	312,710	360,722	357,744	397,227	384,195	1,812,598
Realty, business & capital taxes	179,340	184,352	178,464	168,406	144,243	854,805
Repairs & maintenance	120,937	123,312	109,399	145,195	126,526	625,369
Utilities	143,702	152,499	153,391	155,785	153,565	758,942
Total Expenses	\$ 4,251,639	\$ 4,752,405	\$ 5,028,380	\$ 5,236,747	\$ 5,075,442	\$ 24,344,613
Net Operating Income	\$ 280,286	\$ 287,792	\$ 315,358	\$ 259,966	\$ (153,208)	\$ 990,194
Restructuring costs/charges	-	13,708	-	-	86,406	100,114
Net Income	\$ 280,286	\$ 274,084	\$ 315,358	\$ 259,966	\$ (239,614)	\$ 890,080

APPENDIX "K"
to the Sixth Report of the Receiver

Content subject to a request for a Sealing Order.

Document will be provided to the Court in confidence.

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
Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc.
and not in its personal capacity,
as Vendor**

– and –

**GEM HEALTH CARE GROUP LIMITED,
as Purchaser**

October 20, 2010

gowlings



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SCHEDULES

EXHIBITS

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT is dated as of October 20, 2010

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 Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. and not in its personal capacity

(the "**Vendor**")

- and -

GEM HEALTH CARE GROUP LIMITED, a corporation existing under the laws of Nova Scotia

(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 a.m. 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.

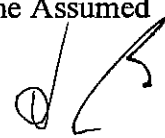
"Assets" means the right, title and interest of the Debtor, if any, in and to the Owned Real Property, Buildings and Fixtures, Equipment, Inventory, Business Names, Receivables, Intangibles, Assumed Contracts, Books and Records and Licences but specifically excludes the Excluded Assets.

"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 and a retirement home 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 names Casa Verde Health Centre, Casa Verde Retirement Home and Casa Verde Independent Living 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 June 30, 2011.

"Collective Agreements" means the collective agreements between the Debtor and the Service Employees International Union Local 1.0N 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 Agreements, the Leases and the other agreements listed in Schedule "2" attached hereto.

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

"Debtor" means Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc., or either of them, as applicable.

"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 Agreements 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; and
- (b) all the corporate, financial and other records of the Vendor not pertaining to the operation of the Business.

"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.

"MOH Protective Envelope" means the expense items under the Nursing, Food and Program categories approved for reimbursement by the MOH under its funding policies and regulations.

"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 Chaitons LLP, Barristers & Solicitors, 5000 Yonge Street, 10th Floor, Toronto, Ontario M2N 7E9, Attention: Robert A. Miller, Telephone No. (416) 218-1134, Telecopier No. (416) 218-1834.

"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.

"Terminated Employees" is defined in Section 2.11(b);

"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 Agreements.

"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.

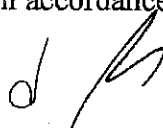
1.4 Business Day

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.
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- (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 Agreements 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 One Hundred and Fifty Thousand (\$150,000.00) 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 Three Hundred Thousand (\$300,000.00) 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 10th 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.**

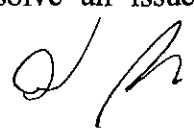
There shall be no adjustment to the Purchase Price in favour of the Vendor on account of Inventory.

(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 all the Salaried Employees except the Terminated Employees (as defined below) at the same rate of wages and benefits then in effect, and upon other terms and conditions that are the same as those of his or her current employment, which employment will commence from the Closing Date. The

Purchaser in making the offer of employment will recognize the seniority and years of service of such Assumed Salaried Employees.

- (b) At least twenty-five (25) Business Days before the Closing Date the Purchaser may by written notice inform the Vendor of the names of up to 5% of the Salaried Employees then employed in the Business to whom it will not offer employment (the "**Terminated Employees**"). The Vendor shall terminate the Terminated Employees conditional upon and as of the Closing. The Vendor and Purchaser agree to cooperate in the delivery of notices to the Terminated Employees and the Assumed Salaried Employees so as to minimize the disruption of the morale of the Salaried Employees.
- (c) 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

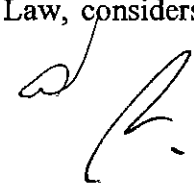
- (a) In accordance with Applicable Law, the Purchaser shall become the successor employer under the Collective Agreements with respect to the Unionized Employees whose employment is governed by the Collective Agreements and shall be bound by and comply with the terms of the Collective Agreements.
- (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 Agreements, 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 Terminated Employees

On or before the Closing Date, the Vendor shall settle or pay all amounts that may become payable to or in respect of or receivable by Terminated Employees before the Closing Date, including, without limitation, termination allowances, sick bank allowances and accumulated vacation with pay credits.

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 Agreements 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 2.13, 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.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Purchaser's Representations

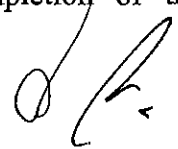
The Purchaser represents and warrants to the Vendor that:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Nova Scotia;
- (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 Agreements, 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 Agreements, except as may be disclosed in writing to the Purchaser prior to the Acceptance Date.

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 on or before May 31, 2011 as to any conditions imposed by the MOH on the Transaction;
- (d) 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;



- (e) 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;
- (f) 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
- (g) 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):

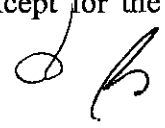
- (a) all representations and warranties of the Purchaser contained in this Agreement will be true as of the Closing Date with the same effect as though made on and as of that date;
- (b) no action or proceedings will be pending or threatened to restrain or prohibit the completion of the Transaction 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.

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 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).

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 5 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.

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;
- (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.



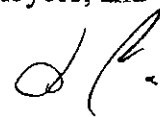
5.6 Access to Assets

- (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. 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 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

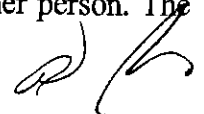
The Vendor acts solely in its capacity as court appointed interim receiver and receiver and manager of the Debtor and will have no personal or corporate liability under this Agreement.

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:

GEM Health Care Group Limited
1046 Barrington Street, 3rd Floor
Halifax, NS B3H 2R1

Attention: Syed M. Hussain
Facsimile No. 902-429-6375

with a copy to:

Chaitons LLP
5000 Yonge Street, 10th Floor
Toronto, Ontario
Canada M2N 7E9

Attention: Robert Miller
Facsimile No.: 416-218-1834
E-mail: robert@chaitons.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

with a copy to

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

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



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 5th 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:

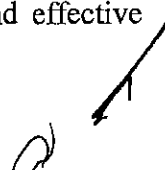
- (a) the legality, validity or enforceability of the remaining provisions of this Agreement; or
- (b) the legality, validity or enforceability of that provision in any other jurisdiction.

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.

A handwritten mark, possibly a signature or initials, consisting of a stylized 'Q' or 'O' followed by a diagonal line.

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

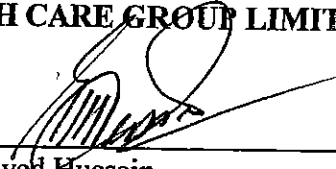
DELOITTE & TOUCHE INC., solely in its capacity as court-appointed interim receiver and receiver and manager of the current and future assets, undertakings and properties of Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. and not in its personal capacity

Per

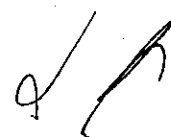

Name: DANIEL WEISS
Title: SENIOR VICE PRESIDENT

GEM HEALTH CARE GROUP LIMITED

Per


Name: Syed Hussain
Title: President

SCHEDULE 1
APPOINTMENT ORDER



Court File No. 06-CL-6233

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

THE HONOURABLE)	MONDAY, THE 23 rd DAY
)	
JUSTICE CUMMING)	OF JANUARY, 2006

PEOPLES TRUST COMPANY

Applicant

- and -

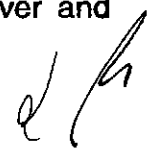
PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED

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

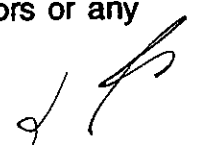
3. **THIS COURT ORDERS** that pursuant to section 47(1) of BIA and section 101 of the CJA, effective 9:00 a.m. Eastern Standard Time January 24, 2006, Mintz is hereby appointed Receiver, without security, of all of the current and future assets, undertakings and properties of Paragon, 150 Ontario and 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.



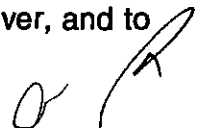
RECEIVER'S POWERS

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.

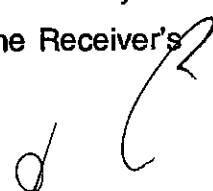
RECEIVER'S ACCOUNTS

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. Catharines, Ontario
L2S 1S9

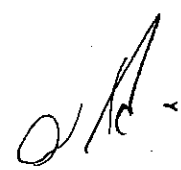
Attention: Gerald Harquail, President

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, 6th 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, 9th Floor
Toronto, Ontario
M7A 2J9

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

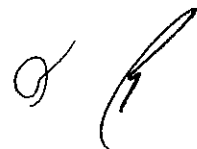
AND TO: CAPPELLACCI DAROZA LLP

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.

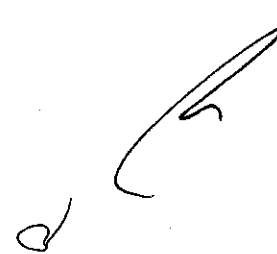
[RECEIVER'S NAME], solely in its capacity as
Receiver of the Property (as defined in the
Order), and not in its personal capacity

Per: _____

Name:

Title:

TOR_LAW\6220395\1

A handwritten signature in black ink, consisting of a stylized, cursive script that appears to be a first name followed by a last name, possibly "J. L. Smith".

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

TOR_LAW\6210777\1

Court File No. 06-CL-6233

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE)	WEDNESDAY, THE 2 nd 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

O R D E R

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.

-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

d b

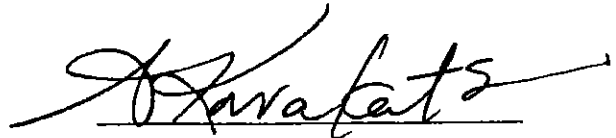
- 3 -

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: 

Between:
PEOPLES TRUST COMPANY
Applicant

AND PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED
Respondent

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

(PROCEEDING COMMENCED AT TORONTO)

ORDER

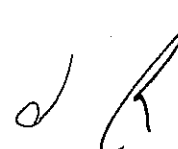
GOWLING LAFLEUR HENDERSON LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Clifton P. Prophet (LSUC# 34845K)
Tel: (416) 862-3509
Fax: (416) 863-3509

Solicitors for Mintz & 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

SCHEDULE 2
CONTRACTS [SECTION 1.1]

Attached

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SCHEDULE 2

Supplier/Contractor	Contracting Party	Type of Contract	Date of Contract	Term	Pricing
1 A.D. Richmond Fire Protection Ltd.	Diversicare Canada Management Services Co., Inc.	Annual Fire Inspection	28-Apr-09	1 year	\$3,800.00 + GST and other fees for extra labor and units
2 All Star Grounds Care	Casa Verde Health Centre	Landscaping and snow removal service	08-Oct-08	unknown	Spring ground cleaning \$800.00 + GST Winter snow removal \$1,000.00 + GST Driveway Salting \$150.00 + GST per application Aquarium maintenance \$315/month (includes GST & PST)
3 Aquatic Divine	Casa Verde Health Centre	Monthly maintenance of the aquariums onsite	21-Oct-00	30 days written notice on cancellation of aquarium service	
4 Best Practice Consultants	Casa Verde Health Centre	Wound Care Consulting Services	06-Apr-09	1 year from January 5, 2009	\$82.50 + GST per consult
5 Chin Radio Television	Casa Verde	Italian Advertising	02-Mar-09	March 2009 to November 2009 (includes Easter Monday and Mother's Day)	77 spots for \$7,276.50 including GST
6 City Water International	Paragon Health Care Centre Inc.	Water rental and service agreement	09-Mar-06	March 9, 2006 - July 8, 2011	Quarterly payments of \$137.83 including PST & GST
7 Dellenergy Corp.	Deloitte & Touche Inc., Receiver of Paragon Health o/a Casa Verde	Natural gas supply contract	17-Aug-10	1 year commencing January 1, 2011. Extends 2010 contract	\$0.206/m ³ (2010 price is \$0.254/m ³)
8 Dr. A. Marcus	Deloitte and Touche operating as Casa Verde Health Centre	Podiatry services	31-Mar-09	1 year	N/A
9 Dr. Barry Shroff	Casa Verde Health Centre	Attending physician agreement	06-Oct-08	1 year	N/A
10 Dr. Brian Hands	Casa Verde Health Centre	Ear/hearing examination services	23-Apr-09	1 year from April 27, 2009	N/A

SCHEDULE 2

Supplier/Contractor	Contracting Party	Type of Contract	Date of Contract	Term	Pricing
11 Dr. Michael Soboloff	Casa Verde Health Centre	Attending physician agreement	06-Oct-08	1 year	N/A
12 Dr. Michael Soboloff	Casa Verde Health Centre	Medical Director	06-Oct-08	1 year	Casa Verde will pay a Medical Director fee of \$30 per day per resident which in aggregate shall be no less than the amount approved by the Ministry of Health
13 Dr. Seymour Berlin	Casa Verde Health Centre	Attending physician agreement	06-Oct-08	1 year	Casa Verde will pay for Continuing N/A
14 Dynamic Environmental Control Ltd.	Casa Verde Health Centre	Maintenance agreement	20-Mar-06	March 20, 2006 - unknown	Mechanical Equipment- quarterly payments of \$1,600 + GST for a total of \$6,400 + GST Kitchen/Servery Equipment- quarterly payments of \$300 + GST for a total of \$1,200 + GST \$720.00/quarter + GST
15 E.O.E. Toronto	Paragon Health Care Centre Inc.	Lease of copier, document feeder and paper cassette	30-Mar-06	3 years	\$368.00 + GST per month
16 Ecolab Pest Elimination Division	Casa Verde Health Centre	Cockroach and Checkpoint Rodent protection of Interior and Immediate Exterior of facility	11-Feb-08	unknown	
17 Endeavour Personnel Ltd.	Casa Verde Health Centre	Personnel and staffing services	11-Sep-08	unknown	Registered Nurse \$49.50/hr Practical Nurse \$36.00/hr Personal Support Worker \$19.95/hr Cook \$22.50/hr Maintenance \$20.95/hr Housekeeping/Laundry \$19.95/hr

SCHEDULE 2

Supplier/Contractor	Contracting Party	Type of Contract	Date of Contract	Term	Pricing
18 Med E-Care Health Care Solutions Inc.	Casa Verde Long Term Care Facility	Software and Service support for E-Plan, E-Incident, e-CCRS & Remote Application Hosting	20-Aug-07	2 years with automatic renewal of 1 year and software upgrade fees shall not exceed 20% over 5 years	E-plan, E-Incident annual support fee \$4,393.50 annually E-CCRS \$2,100.00 annually Webhosting \$1,200.00 annually Additional training \$1,250.00 per day
19 Medical Pharmacy	Casa Verde Health Centre	Medication and medical supplies	01-Mar-09	1 year	N/A
20 On Premise Laundry Systems Inc.	Casa Verde Health Centre	Lease of 6 washers and 7 dryers	01-Jun-04	5 years	\$2,250.00/month + GST
21 On Premise Laundry Systems Inc.	Casa Verde Health - Diversicare	Lease of 6 new washers, 7 new dryers, 9 used washers and 3 used dryers	12-Jun-09	5 years	\$2,600.00/month + GST
22 PPL Health and Homecare Services Nursing Agreement	Casa Verde Health Centre Inc.	Personnel and staffing services	26-Sep-08	none noted	Registered Nurse \$40/hr Registered Practical Nurse \$32 Personal Service Worker \$20 N/A
23 PT Health Care Solutions Corp.	Casa Verde Health Centre	Physiotherapy Services	20-Jul-09	July 20, 2009 to July 19, 2012 with automatic renewal for one year unless 30 day notice is given	
24 Retirement Residential Placement Service Inc.	Diversicare Canada Management Services Co. Inc.	Ad in The Comprehensive Guide to Retirement Living: Back of Section Divider Full Page Color Ad in #1 Information about Retirement Living	20-May-09	Year 2010/13th Edition	\$9,775.50 including GST
25 Service Employees International Union Local 1.0n	Paragon Health Care Centre Inc.	Collective Agreement for Full Time and Part Time Service Employees	unsigned contract	January 1, 2004 to April 30, 2007	
26 Service Employees International Union Local 204	Paragon Health Care Centre Inc.	Collective Agreement for Full Time and Addendum for Part Time bargaining units	15-Oct-02	January 1, 2001 to December 31, 2003	
27 Service Employees International Union Local 204	Paragon Health Care Centre Inc.	Collective Agreement for RN Fulltime	19-Jan-04	July 1, 2002 to June 30, 2004	
28 Shoppers Home Health Care	Casa Verde Health Centre	Health Care related equipment and service	06-May-09	May 6, 2009 to May N/A 6, 2010	
29 Siemens Building Technologies Ltd.	Paragon Health Care Centre Inc.	Fire Alarm Monitoring	01-Dec-08	1 year	\$90/month + GST

SCHEDULE 2

Supplier/Contractor	Contracting Party	Type of Contract	Date of Contract	Term	Pricing
30 Thyssen Dover Elevator	Casa Verde Health Centre	Elevator materials and labor in order to connect the centre hall call station via security keypad to allow access to the elevator by entering a numeric code	21-Oct-00	none noted	Elevator work \$795.00 + GST
31 Thyssen Dover Elevator Canada Limited	Casa Verde Health Centre	Installation and supply of two new Pana 40 door detectors	23-Mar-09	none noted	\$5,000 + GST
32 TLC Health Care Services	Casa Verde Health Centre	Personnel and staffing services	01-Mar-07	as needed basis	Registered Nurse- General Duty \$39/hr Registered Nurse- Specialty Unit \$42/hr Registered Practical Nurse- General Duty \$29/hr Registered Practical Nurse- Specialty Unit \$32/hr Registered Practical Nurse- Health Care Aid- 17.50/hr Registered Practical Nurse- Sitters- \$17.50/hr Registered Practical Nurse- Laundry and Kitchen Support Personnel- \$17.50/hr Companions- Hourly \$18.00 Companions- Live-in \$17.50 Companions- Personal Support Workers \$18.00 Companions- Escorts- \$17.50 Companions- Concierge-50.00
33 Water Heater Operating Limited Partnership	Paragon Health Care Centre Inc.	Commercial HVAC Rental Contract- A.O. Smith Water Boiler	09-Jun-08	unknown	\$185.00/month
34 Water Heater Operating Limited Partnership	Paragon Health Care Centre Inc.	Commercial HVAC Rental Contract- 2RB1 Domestic Boilers	03-Aug-10	unknown	\$195.00/month x 2 boilers
35 Water Heater Operating Limited Partnership	Paragon Health Care Centre Inc.	Commercial HVAC Rental Contract- RB1 Laundry Boiler	03-Dec-09	unknown	\$166.00/month
36 Water Heater Operating Limited Partnership	Paragon Health Care Centre Inc.	Commercial HVAC Rental Contract- Carnus Kitchen Boiler	03-Mar-03	unknown	\$208.10/month
37 York Disposal Service Ltd.	Paragon Health Care Centre Inc.	Waste removal service	10-Jul-07	unknown	Waste 6 tones x 4 times per week \$1,178.58 per month + \$68 per lift OCC Paper 6 tones x 1 time per week \$110.88 + 25.59 per lift \$5,063.85 including GST
38 YPM Inc.	Casa Verde Health Centre	Yellow Pages Ad	29-Jan-09	1 year	

SCHEDULE 3
LICENCES [SECTION 1.1]

See attached.

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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*.

Paragon Health Care Inc.

(Name of Licensee / Nom du titulaire du permis)

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

Casa Verde Health Centre

(Name of Home / Nom du foyer)

3595 Keele Street, North York, Ontario

(Address of Home / Adresse du foyer)

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

1041-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 :

252

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 : 1041-L01

The licence noted above is subject to the following condition(s):
Le permis mentionné ci-dessus est soumis aux conditions suivantes :

1.

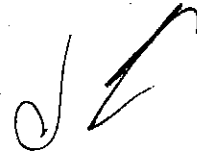
SCHEDULE 4
OWNED REAL PROPERTY [SECTION 1.1]

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)

Permitted Encumbrances

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.



SCHEDULE 5
LEASES RENT ROLL [SECTION 1.1]

See attached.

□

Casa Verde Independent Living Centre

Rent Roll - July 2010

Room #	Unit Type	Occupancy Statistics				Monthly			Annual			Stabilized		
		Occ. Status	No. of Units	No. Occ. Units	No. of Res.	Room Charge	Service Charge	Total Charges	Room Charge	Service Charge	Total Charges	Monthly Room Rates	Annual Posted Rates	Annual Upside Potential
156	Private	Occupied	1	1	1	1,257	1,046	2,302	15,084	12,540	27,624	2,445	29,340	1,716
157	Private	Occupied	1	1	1	1,235	988	2,224	14,820	11,868	26,688	2,445	29,340	2,652
158	Private	Occupied	1	1	1	1,257	1,045	2,302	15,084	12,540	27,624	2,445	29,340	1,716
159	Private	Occupied	1	1	1	1,235	1,028	2,263	14,820	12,336	27,156	2,445	29,340	2,184
160	Private	Occupied	1	1	1	1,375	988	2,374	16,500	11,988	28,488	2,445	29,340	852
161	Private	Occupied	1	1	1	905	1,438	2,341	10,860	17,232	28,092	2,445	29,340	1,248
162	Private	Occupied	1	1	1	1,375	987	2,372	16,500	11,964	28,464	2,445	29,340	876
163	Private	Occupied	1	1	1	946	1,499	2,445	11,352	17,988	29,340	2,445	29,340	-
164	Private	Occupied	1	1	1	925	1,101	2,026	11,100	13,212	24,312	2,445	29,340	5,028
167	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340
168a,b	Semi-P	Occupied	1	1	2	1,534	1,816	3,150	18,408	19,392	37,800	3,186	38,232	432
169	Private	Occupied	1	1	1	905	1,951	1,956	10,860	12,612	23,472	2,445	29,340	5,868
170	Private	Occupied	1	1	1	946	1,100	2,046	11,352	13,200	24,552	2,445	29,340	4,788
171	Private	Occupied	1	1	1	925	1,100	2,025	11,100	13,200	24,300	2,445	29,340	5,040
172	Private	Occupied	1	1	1	1,297	986	2,293	15,564	11,952	27,516	2,445	29,340	1,824
173	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340
174	Ind-Pri	Occupied	1	1	1	946	1,100	2,046	11,352	13,200	24,552	2,445	29,340	4,788
175	Private	Occupied	1	1	1	1,251	925	2,176	15,012	11,100	26,112	2,445	29,340	3,228
176	Private	Occupied	1	1	1	1,152	796	1,948	13,824	9,552	23,376	2,445	29,340	5,964
177	Semi-P	Respite	1	1	1	946	1,457	2,403	11,352	17,484	28,836	2,445	29,340	504
178	Private	Occupied	1	1	1	1,235	989	2,224	14,820	11,868	26,688	2,445	29,340	2,652
179	Private	Occupied	1	1	1	1,350	941	2,291	16,200	11,292	27,492	2,445	29,340	1,848
180	Private	Occupied	1	1	1	946	1,100	2,046	11,352	13,200	24,552	2,445	29,340	4,788
181a,b	Semi-P	Occupied	1	1	2	1,340	1,500	2,840	16,080	18,000	34,080	3,186	38,232	4,152
182	Semi-P	Occupied	1	1	1	907	984	1,891	10,884	11,808	22,692	1,881	22,572	(120)
183	Private	Occupied	1	1	1	1,257	1,045	2,302	15,084	12,540	27,624	2,445	29,340	1,716
184	Private	Occupied	1	1	1	925	1,499	2,424	11,100	17,988	29,088	2,445	29,340	252
185	Private	Occupied	1	1	1	925	1,101	2,026	11,100	13,212	24,312	2,445	29,340	5,028
186	Private	Occupied	1	1	1	946	1,499	2,445	11,352	17,988	29,340	2,445	29,340	-
187	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340
188	Private	Occupied	1	1	1	946	1,499	2,445	11,352	17,988	29,340	2,445	29,340	-
189	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340
190	Private	Occupied	1	1	1	1,332	1,041	2,373	15,984	12,492	28,476	2,445	29,340	864
191	Private	Respite	1	1	1	946	1,457	2,403	11,352	17,484	28,836	2,445	29,340	504
192	Semi-P	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340
193	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340
194a	Ind Semi	Occupied	1	1	1	750	1,049	1,799	9,000	12,588	21,588	1,881	22,572	984
195	Private	Occupied	1	1	1	925	1,499	2,424	11,100	17,988	29,088	2,445	29,340	252
196	Private	Occupied	1	1	1	925	1,100	2,025	11,100	13,200	24,300	2,445	29,340	5,040

Casa Verde Independent Living Centre

Rent Roll - July 2010

Room #	Unit Type	Occ. Status	Occupancy Statistics					Monthly			Annual				Stabilized		
			No. of Units	No. Occ. Units	No. of Res.	Room Charge	Service Charge	Total Charges	Room Charge	Service Charge	Total Charges	Monthly Room Rates	Annual Posted Rates	Annual Upside Potential			
258	Private	Occupied	1	1	1	925	1,499	2,424	11,100	17,988	29,088	2,445	29,340	252			
259	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
260	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
261	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
262	Private	Occupied	1	1	1	1,155	796	1,951	13,860	9,552	23,412	2,445	29,340	29,340			
263	Private	Occupied	1	1	1	1,350	980	2,330	16,200	11,760	27,960	2,445	29,340	5,928			
264	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	1,380			
265	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
266	Private	Occupied	1	1	1	1,068	750	1,818	12,810	9,000	21,810	2,445	29,340	29,340			
267	Private	Occupied	1	1	1	925	1,499	2,424	11,100	17,988	29,088	2,445	29,340	7,530			
268	Semi-P	Occupied	1	1	2	1,200	1,850	3,050	14,400	22,200	36,600	3,186	38,232	252			
269	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	1,632			
270	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
271	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
271a	Semi-P	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
272	Private	Vacant	1	0	0	-	-	-	-	-	-	1,881	22,572	22,572			
273	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
274	Private	Occupied	1	1	1	927	1,436	2,363	11,124	17,232	28,356	2,445	29,340	29,340			
275	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	884			
276	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
277	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
278	Private	Occupied	1	0	1	925	1,499	2,424	11,100	17,988	29,088	2,445	29,340	252			
279	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
280	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
281	Private	Occupied	1	1	1	1,216	972	2,188	14,592	11,684	26,256	2,445	29,340	29,340			
282	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	3,084			
283	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
284	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
285	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
286	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
287a	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
288	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
289	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
290	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
291	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
292	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
293	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
294	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340			
295	Semi-P	Vacant	1	0	0	-	-	-	-	-	-	1,881	22,572	22,572			

Casa Verde Independent Living Centre
Rent Roll - July 2010

Room #	Unit Type	Occupancy Statistics				Monthly			Annual			Stabilized		
		Occ. Status	No. of Units	No. Occ. Units	No. of Res.	Room Charge	Service Charge	Total Charges	Room Charge	Service Charge	Total Charges	Monthly Room Rates	Annual Posted Rates	Annual Upside Potential
296	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340
297	Private	Occupied	1	1	1	1,375	996	2,371	16,500	11,952	28,452	2,445	29,340	888
298	Private	Vacant	1	0	0	-	-	-	-	-	-	2,445	29,340	29,340
Total			81	42	46	47,133	50,860	97,993	565,590	610,320	1,175,910	198,012	2,376,144	29,340
Averages				52%		1,122	1,211	2,333	13,466	14,531	27,998	2,445		1,200,234

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 Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. (individually or collectively 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 GEM Health Care Group Limited (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.

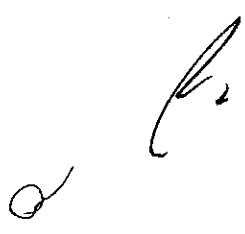
4. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances 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.



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 ● of the Ontario Superior Court of Justice (the "Court") dated ● <Insert date of Order.>, 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 Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. (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 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 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 Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. and not in its personal capacity

Per: _____

Name:

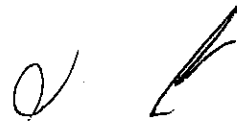
Title:

Q R

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.

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, 2nd 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)

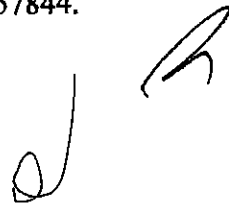
1. Restrictive covenants set out in Application to Annex Restrictive Covenants instrument number TB328846.
 2. Notice by Her Majesty the Queen in right of the Department of Transport Canada of Pearson Airport Zoning Regulation instrument number TR57844.
- 

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

THIS AGREEMENT dated as of ●, 2010

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 Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. and not in its personal capacity

(the "**Receiver**")

- and -

GEM HEALTH CARE GROUP LIMITED, a corporation existing under the laws of Nova Scotia

(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 Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. (the "**Debtor**") effective 9:00 a.m. 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 ●, 2010 (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.

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

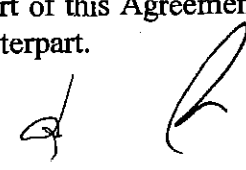
This Indenture and all of its provisions will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.

(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.





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 Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. and not in its personal capacity

Per _____
Name:
Title:

**GEM HEALTH CARE GROUP
LIMITED**

Per _____
Name:
Title:

AMENDING AGREEMENT NO. 1

THIS AMENDING AGREEMENT is dated as of October 27, 2010

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 Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. and not in its personal capacity

(the "Vendor")

- and -

GEM HEALTH CARE GROUP LIMITED, a corporation existing under the laws of Nova Scotia

(the "Purchaser")

CONTEXT:

- A. The parties have made an Agreement of Purchase and Sale of the Assets dated October 20, 2010 ("Purchase Agreement").
- B. The parties wish to amend the term of the Purchase Agreement which is 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 January 24, 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, with the executed

- 2 -

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 Paragon Health Care Inc. and Paragon Health Care (Ontario) Inc. and not in its personal capacity

Per 

Name: DANIEL WEISS

Title: SENIOR VICE PRES. DEPT

GEM HEALTH CARE GROUP LIMITED

Per 

Name: Syed Hussain

Title: President

**Ministry of Health and Long-Term Care
Health System Accountability and Performance Division**

NURSING HOME/BED LICENSING REVIEW PROCESS

PURPOSE:

The purpose of the pre-sale review process is to:

- ◆ review the suitability of the proposed purchaser
- ◆ allow the public and others to comment/submit reactions to the proposal
- ◆ review the proposal for compliance with current legislation

PROCESS:

- The Director, under the *Nursing Homes Act*/Performance Improvement and Compliance Branch, Health System Accountability and Performance Division, Ministry of Health and Long-Term Care (MOHLTC) receives written notification, along with a copy of the Purchase and Sale Agreement, from the licensee (vendor) of their wish to sell a nursing home to a specified purchaser (can be an individual or company).
- The Performance Improvement and Compliance Branch (PICB), is responsible for co-ordinating the licensing transaction.
- A response letter describing the review process required is sent to both the vendor and proposed purchaser from the PICB.
- Once confirmation is received from the vendor that the Administrator, residents and staff at the nursing home have been informed of the proposed sale, PICB notifies the MOHLTC Service Area Office of the proposed licence transaction. MOHLTC Service Area Office staff in the disciplines of nursing, dietary and environmental health visit the home and conduct inspections of the existing programs and premises.
- Results of these inspections, including identification of areas requiring corrective action, are sent to the proposed purchaser for their information and response. If the nursing home is structurally non-compliant, one of the conditions of the licensing transaction will be a requirement to meet the current MOHLTC structural compliance standards.
- Any unmet criteria identified at the time of the inspections will be left with the home for corrective action in accordance with the current compliance program. It is the responsibility of the vendor and/or the purchaser to ensure all unmet criteria are addressed in a timely manner acceptable to the ministry.
- The proposed purchaser is requested to submit a management package to the PICB outlining how they will address the problems identified as a result of the pre-sale inspections, and describing how they plan to operate the nursing home (staffing deployments, programs, etc.). The management package is evaluated by MOHLTC Service Area Office staff as to its suitability.

- ❑ In addition, the proposed purchaser is asked to submit a financial package for evaluation by staff of the MOHLTC Finance Management Branch.
- ❑ The MOHLTC Service Area Office is requested to notify the affected Community Care Access Centre(s) and/or Local Health Integration Network (LHIN(s)) of the proposed transaction and invite their comments. Comments received are subsequently forwarded to PICB for review.
- ❑ If beds are to be relocated from one area of the province to another, PICB in consultation with the appropriate LHIN(s) assesses the bed and population statistics in the existing county and the county to which beds are to be moved in order to determine the impact of the proposed licence transaction.
- ❑ Legislation [*Nursing Homes Act*, Section 12(1)] requires that a public meeting be held and a notice be placed in the local newspaper (where the nursing home is located) 30 days in advance of said public meeting, which is organized and chaired by MOHLTC Service Area Office staff. This notice indicates the licensee's interest in selling the nursing home to the proposed purchaser and invites the public to either attend the public meeting or send a letter to the Director under the *Nursing Homes Act*, commenting on the proposed licence transaction. This notice provides the community with an opportunity to support or express concern relative to the proposal. The licensee and proposed purchaser are also informed of the public meeting, although currently there is no requirement for them to attend.
- ❑ Where the applicant is an existing licensee, the MOHLTC reviews their record to determine the quality of the licensee's operation in terms of satisfying the MOHLTC's requirements to provide care to residents, meet structural compliance and utilize ministry funds appropriately.
- ❑ PICB arranges a pre-sale board interview with the proposed purchaser and their management team, which usually consists of the President, Administrator, Director of Nursing and other staff as deemed necessary. MOHLTC staff attending the interview consists of the Licensing Program Consultant, the nursing, dietary, and environmental health staff who conducted the pre-sale inspections, a recorder, and other MOHLTC staff as required. The purpose of this interview is to discuss the contents of the proposed purchaser's management package, their proposed management style, and where necessary, their finances and financial management ability. At the conclusion of the pre-sale interview, conditions which must be met prior to recommending approval are discussed.
- ❑ Once the management and financial packages are reviewed and evaluated, along with input from the public meeting, pre-sale board interview results, and comments from the MOHLTC Service Area Office(s), Community Care Access Centre(s), and LHIN(s), the Director under the *Nursing Homes Act* makes a decision to approve or disapprove the licence transaction.
- ❑ If the licence transaction is approved, a letter is prepared by PICB outlining conditions for approval of licensure. The original copy of the approval letter must be signed by the purchaser as agreement to the conditions and returned to the Licensing Program Consultant, PICB.
- ❑ If the licence transaction is not approved, the purchaser and vendor are notified in writing of the reasons for that decision.
- ❑ Once the conditions letter is signed and returned to PICB, along with the requested licensing documentation which includes a completed "Application for a Licence to Establish or Maintain and Operate a Nursing Home", a new licence is issued to the approved licensee.

- The new licensee is required to enter into a service agreement with the MOHLTC and/or appropriate LHIN. This requirement is contained in the signed conditions letter.

ADDITIONAL RESOURCES:

- Anyone interested in operating a nursing home should be familiar with the *Nursing Homes Act* and Regulation 832 which is available through the Ontario Government Book Store, 880 Bay Street, Toronto, Ontario, M7A 1N8. [The toll-free number is 1-800-668-9938; in Toronto, the mail order number is (416) 326-5300].
- All long-term care homes (i.e. nursing homes and homes for the aged) are expected to comply with established care, program and service standards and criteria which are outlined in the "Long-Term Care Home Program Manual". Copies of this manual can be obtained from the MOHLTC website, www.health.gov.on.ca/english/providers/pub/pub_menus/pub_ltc.html.
- For information regarding the availability of licensed nursing homes/beds, please contact the Ontario Long Term Care Association at (905) 470-8995 or your local real estate firm.

NOTE:

At the present time, only licensed nursing homes/beds are transferable. The above process is not applicable to homes for the aged.

For additional information on the MOHLTC's Pre-Sale Review Process, please contact:

Licensing Program Consultant
 Licensing Education and Appeals
 Performance Improvement and Compliance Branch
 Health System Accountability and Performance Division
 Ministry of Health and Long-Term Care
 8th Floor, 55 St. Clair Avenue West
 Toronto ON M4V 2Y7
 Tel: (416) 326-1933 Fax: (416) 327-7763

December 2008

**Receiver's Interim Statement of Receipts and Disbursements
for the period January 23, 2006 to February 11, 2011**

Receipts

1. Ministry of Health Funding	\$	50,414,193
2. Cash in bank		71,896
3. Interest earned		38,910
4. Total receipts	\$	50,524,999

Disbursements

5. Funding to Casa Verde Nursing Home	\$	39,993,149
6. Funding to Casa Verde Retirement Home		5,265,000
7. Receiver fees		783,282
8. Legal fees		275,924
9. GST		57,761
10. HST		10,998
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. Filing fee		70
21. Total disbursements	\$	46,415,256
22. Receipts less disbursements	\$	4,109,743
23. Less: Payments/Disbributions to secured creditor	\$	1,306,793
24. Balance on Hand	\$	2,802,950

IN THE MATTER OF THE RECEIVERSHIP OF
PARAGON HEALTH CARE (ONTARIO) INC.

Receiver's Interim Statement of Receipts and Disbursements
for the period January 23, 2006 to February 11, 2011

Receipts

1. Cash in bank	\$	3,479
2. Interest earned		<u>412</u>
3. Total receipts	\$	<u>3,891</u>

Disbursements

4. Filing fee	\$	70
5. Bank charges		<u>20</u>
6. Total disbursements	\$	<u>90</u>
7. Balance on Hand	\$	<u>3,801</u>

**Receiver's Interim Statement of Receipts and Disbursements
for the period January 23, 2006 to February 11, 2011**

Receipts

1. Ministry of Health Funding	\$	19,580,842
2. Receiver's Certificates		477,273
3. Cash in bank		32,194
4. Interest earned		36,460
5. Miscellaneous refunds		3,160
6. Total receipts	\$	20,129,929

Disbursements

7. Funding to West Park Health Centre	\$	18,392,434
8. Receiver fees		403,547
9. Legal fees		129,869
10. Repayment of Receiver's Certificate		106,958
11. GST		28,383
12. Advertisement		3,955
13. HST		3,799
14. Appraisal fees		2,500
15. Security		2,406
16. Courier		1,169
17. Consulting fees		998
18. Travel expenses		975
19. Telephone		787
20. Photocopies		308
21. Postage		276
22. Filing fee		70
23. Bank charges		10
24. Total disbursements	\$	19,078,444
25. Receipts less disbursements	\$	1,051,485
26. Less: Payments/Distributions to secured creditor		1,000,000
27. Balance on hand	\$	51,485



February 10, 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 February 14, 2011 - interest currently paid to November 01, 2005)

Principal Balance as at November 01 2005	\$8,635,101.91
Interest Rate 8.370% from November 01 2005 to February 14 2011	\$3,810,957.54
Tax Account (A Minus Balance is a Credit)	\$2,933,085.28
Late Payment Interest	\$1,537,963.00
Discharge Penalty	\$ 0.00
Statement Fee	\$ 0.00
Discharge Fee	\$ 0.00
Sundry Account (A Minus Balance is a Credit)	\$103,209.14

Total Amount	\$17,020,316.87
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Per Diem from February 14, 2011 \$1,980.16

The loan balance outstanding as at February 14, 2011 will be \$17,020,316.87.

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 \$1,980.16 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.

Head Office <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.C. Region <input type="checkbox"/> Suite 1115 - Bentall Two, PO Box 231 555 Burrard Street Vancouver, B.C. V7X 1M8 Telephone: 604-685-1068 Fax: 604-683-2787 Email: vancouver@peoplestrust.com	Prairie Region <input type="checkbox"/> Suite 953, 808-4th Ave. S.W. Calgary, AB, T2P 3E8 Telephone: 403-237-8975 Fax: 403-266-5002 Email: calgary@peoplestrust.com	Ontario Region <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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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 February 14, 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 October 1, 2009 to October 31, 2010.
3. Attached hereto as **Exhibit "B"** is a summary of the accounts issued by the Receiver for 1508669 from October 1, 2009 to October 31, 2010.

- 2 -

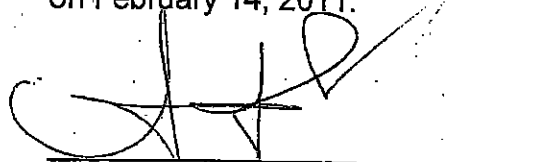
4. Attached hereto as **Exhibit "C"** are true copies of the accounts of the Receiver with respect to Paragon and Paragon Ontario, including a detailed description of the activities, number of hours worked, applicable hourly rates, and totals. I confirm that these accounts accurately reflect the services 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. 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 February 14, 2011.



Commissioner for Taking Affidavits

Anna Koroneos, a Commissioner, etc.,
Province of Ontario,
for Deloitte & Touche Inc.,
Trustee in Bankruptcy.
Expires June 5, 2011.



Hartley M. Bricks

This is Exhibit "A" referred to
in the Affidavit of Forley B. 219
Sworn before me this 19th day of
February 2011
A Commissioner etc. [Signature]

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, 2011.

<u>Invoice Date</u>	<u>Invoice Period</u>	<u>Amount of Invoice (including GST/HST)</u>
27-Jan-10	October 1, 2009 to November 30, 2009	\$22,386.00
16-Mar-10	December 1, 2009 to January 31, 2010	33,238.80
27-Apr-10	February 1, 2010 to March 31, 2010	20,464.50
6-Aug-10	April 1, 2010 to June 30, 2010	24,575.25
15-Oct-10	July 1, 2010 to August 31, 2010	36,401.82
17-Dec-10	September 1, 2010 to October 31, 2010	<u>32,819.16</u>
		<u>\$169,885.53</u>

This is Exhibit "B" referred to
in the Affidavit of Hortley Backs
Sworn before me this 14th day of February, 2011
A Commissioner, etc. [Signature]

Exhibit "B"

**Summary of Invoices Issued by the Receiver for
1508669 Ontario Limited**

Anna Koroneos, a Commissioner, etc.,
Province of Ontario,
for Deloitte & Touche Inc.,
Trustee in Bankruptcy.
Expires June 5, 2011.

<u>Invoice Date</u>	<u>Invoice Period</u>	<u>Amount of Invoice (including GST/HST)</u>
27-Jan-10	October 1, 2009 to November 30, 2009	\$10,505.25
16-Mar-10	December 1, 2009 to January 31, 2010	27,140.40
27-Apr-10	February 1, 2010 to March 31, 2010	19,537.35
6-Aug-10	April 1, 2010 to June 30, 2010	26,089.35
15-Oct-10	July 1, 2010 to August 31, 2010	19,116.21
17-Dec-10	September 1, 2010 to October 31, 2010	<u>13,440.22</u>
		<u>\$115,828.78</u>

Deloitte.

This is Exhibit "C" referred to
in the Affidavit of Hartley Bucks
Sworn before me this 14th day of
February 2011
A Commissioner, etc.

Anna Koroneos, a Commissioner, etc.,
Province of Ontario,
for Deloitte & Touche Inc.,
Trustee in Bankruptcy.
Expires June 5, 2011.

Deloitte & Touche Inc.
1 Concorde Gate, Suite 200
Toronto ON M3C 4G4
Canada

Tel: 416-601-6150
Fax: 416-601-6690
www.deloitte.ca

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Paragon Health Care Inc. o/a Casa Verde Health Centre and
Paragon Health Care (Ontario) Inc.
c/o Deloitte & Touche Inc.
1 Concorde Gate, Suite 200
North York, Ontario
M3C 4G4

Date: January 27, 2010
Invoice No: 2542881
Client/Mandate No: 891048:1000000
Billing Partner: Daniel R. Weisz

GST Registration No: 133245290

Invoice #23

Re: Paragon Health Care Inc. ("Paragon") o/a Casa Verde Health Centre
("Casa Verde") 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. for the period October 1, 2009 to November 30, 2009, including;

- Review on October 1, 2009 of correspondence from the potential purchaser (the "Purchaser") and respond to same;
- Prepare correspondence on October 2, 2009 to Peoples Trust Company ("Peoples") regarding the status of the sales process;
- Discussion on October 5, 2009 with Mr. John Jensen of John A. Jensen Realty Ltd. regarding the status of the Purchaser's deliverables;
- Review on October 5, 2009 of correspondence from Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding various issues with Casa Verde;
- Discussion on October 6, 2009 with Diversicare regarding audit of Long-Term Care Annual Report;
- Discussion on October 6, 2009 with Mr. Jensen regarding the status of the Purchaser's position and other matters;
- Review correspondence on October 7, 2009 from Ms. Pinky Lee of Diversicare regarding Ontario Ministry of Health and Long Term Care ("MOH") and respond to same;


- Discussion on October 13, 2009 with Mr. Jensen regarding the status of the Purchaser and timing for response;
- Review on October 14, 2009 of Long-Term Care Home Accountability Planning Submission;
- Review on October 15, 2009 of August operating results;
- Review on October 16, 2009 of the Purchaser's changes to the draft Agreement of Purchase and Sale ("APS");
- Telephone conversation on October 20, 2009 with Mr. Cliff Prophet of Gowling Lafleur Henderson LLP ("Gowlings") regarding a notice to request sale of property issued by Canada Revenue Agency ("CRA");
- Discussion on October 21, 2009 with Mr. Jensen regarding the status of the Receiver's review of the Purchaser's comments on the draft APS, preparation of analysis of net proceeds from the contemplated sale to the Purchaser;
- Review on October 21, 2009 of cash flow forecast and prepare correspondence to Diversicare regarding monthly funding;
- Preparation on October 22, 2009 of net proceeds analysis;
- Preparation for and attendance on a conference call on October 23, 2009 with Mr. Harry Vanderlugt of Gowling to discuss the Purchaser's comments on the APS;
- Revise on October 26, 2009 the net proceeds analysis and discussion with Mr. Jensen regarding same;
- Preparation for and attendance on October 26, 2009 on a conference call with Peoples and Gowlings to discuss the APS;
- Discussion on October 29, 2009 with Mr. Vanderlugt regarding status; subsequent discussion with Mr. Jensen regarding same;
- Review on October 30, 2009 of information from Diversicare;
- Review on November 2, 2009 of correspondence from Peoples regarding hedging strategies;
- Discussion on November 3, 2009 with Mr. Jensen regarding the status of negotiations with the Purchaser and correspondence with Peoples and Mr. Vanderlugt regarding same; review of Mr. Jensen's proposed amendments to the APS;
- Discussion on November 4, 2009 with Mr. Jensen regarding the status of the Purchaser's position and other matters;
- Review on November 6, 2009 of a quote to audit the 2008 LTC Annual Report and confirm acceptance of same;
- Discussion on November 10, 2009 with Mr. Vanderlugt regarding the status of the draft APS;

- Review on November 10, 2009 of correspondence from Diversicare regarding a gas contract;
- Discussion on November 11, 2009 with Ms. Millie Christie of Diversicare regarding the status of Casa Verde Health Centre and the Local Health Integration Network ("LHIN") agreement;
- Review on November 13, 2009 of draft of APS as amended by Gowlings and forward same to purchaser;
- Review on November 18, 2009 of submission to the LHIN and discuss same with Ms. Millie Christie;
- Review on November 18, 2009 of September operating results;
- Provide on November 23, 2009 an update to Peoples on the status of negotiations with the Purchaser;
- Review on November 23, 2009 cash flow funding request and execute same;
- Preparation on November 24, 2009 of court materials for distribution motion;
- Review on November 26, 2009 of correspondence from Ms. Christie regarding Occupancy Based Funding ("OBF") for 2009;
- Discussion on November 27, 2009 with Mr. Jensen regarding the status of the Purchaser's interest in proceeding and review of e-mail from Purchaser regarding certain concerns;
- Review on November 27, 2009 and execute OBF application;
- Review on November 30, 2009 of correspondence from Diversicare regarding property taxes; 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.

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel R. Weisz, CA•CIRP, CIRP, Senior Vice President	1.0	\$ 550.00	\$ 550.00
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	43.9	460.00	20,194.00
Edith Sehrbrock, Staff Technician	<u>3.6</u>	160.00	<u>576.00</u>
Total Hours	<u>48.5</u>		
		Our Fee	\$21,320.00
		GST @ 5%	1,066.00
Amount Payable			\$22,386.00

Payable upon receipt to Deloitte & Touche Inc.



Daniel R. Weisz, CA•CIRP, CIRP
Senior Vice President
#903160

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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: March 16, 2010
Invoice No: 2571015
Client/Mandate No: 891048.1000000
Billing Partner: Daniel R. Weisz

GST Registration No: 133245290

Invoice #24

Re: 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 December 1, 2009 to January 31, 2010, including;

- Discussion on December 1, 2009 with Mr. Clifton Prophet of Gowling Lafleur Henderson LLP ("Gowlings") regarding the status of the potential purchaser's (the "Purchaser") offer;
- Discussion on December 2, 2009 with Mr. John Jensen of John A. Jensen Realty Inc. regarding potential interested parties in Casa Verde;
- Correspondence on December 2, 2009 to/from Mr. Harry Vanderlugt of Gowlings regarding ending the exclusivity with the Purchaser;
- E-mail correspondence on December 2, 2009 to/from Ms. Millie Christie of Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding fire panel issues and other matters;
- Preparation of the Receiver's Fifth Report to Court (the "Court Report") in connection with the Receiver's application to the Court for an Order authorizing a distribution of funds;
- Discussion on December 7, 2009 with Mr. Mallich regarding the status of the Purchaser and termination of the letter of intent;

- Preparation on December 10, 2009 of affidavit materials for distribution motion; revise Agreement of Purchase and Sale template ("APS") and provide copy to Mr. Jensen and discuss same; review of files regarding Phase I Environmental Reports and provide same to Mr. Jensen;
- Finalization on December 16, 2009 of the affidavit and Court Report and forward to Gowlings for review;
- Preparation on December 17, 2009 of financial information for an interested party;
- Preparation on December 18, 2009 of due diligence materials for an interested party; discussion with Mr. Jensen regarding the status of the interested party
- Preparation for and attendance on December 23, 2009 at Court for the Receiver's application to Court approval of the distribution motion; discussion with Diversicare regarding disbursements; various correspondence regarding same, organize site visit for the interested party;
- Preparation on December 24, 2009 of a distribution to Peoples;
- Review on December 24, 2009 of e-mail correspondence regarding insurance coverage;
- Review on January 4, 2010 of correspondence regarding the distribution motion and Court Order;
- Correspondence on January 6, 2010 with First National and Canada Mortgage and Housing Corporation ("CMHC") regarding the CMHC Certificate for Casa Verde;
- Review on January 7, 2010 of insurance policy, discussion regarding same with Gowlings and prepare correspondence to Canada Brokerlink regarding changes required to the documents; discussion with Mr. Jensen regarding status of the interested party's site visit and process for due diligence;
- Discussion on January 8, 2010 with Mr. Jensen regarding status of the interested party and their information requirements and review of files regarding same;
- Correspondence on January 12, 2010 with the interested party regarding CMHC certificate and discussion with Mr. Eamonn O'Rafferty at CMHC regarding same;
- Preparation on January 13, 2010 of materials for the interested party; respond to Canada Brokerlink regarding changes to insurance endorsement;
- Review on January 18, 2010 of e-mail correspondences regarding insurance and respond to Canada Brokerlink regarding changes to endorsement;
- Reconciliation on January 19, 2010 of MOH funds received in 2009;
- Correspondence on January 19, 2010 to/from Diversicare regarding cash flow funding and MOH funding matters;

- Attendance at a meeting on January 20, 2010 with Mr. Richard Stewart and Ms. Christie at Casa Verde to discuss various issues and status of sale process;
- Discussion on January 21, 2010 with Mr. Jensen regarding the status of the interested party's proposal to purchase;
- Review on January 21, 2010 of offer received from the interested party; correspondence with Ms. Christie regarding employee matters;
- Review on January 25, 2010 of the interested party's proposal and analysis of same, forward to Peoples and various correspondence regarding same;
- Correspondence on January 26, 2010 to/from CMHC and Peoples regarding the interested party's offer and recommendations; 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.

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel R. Weisz, CA•CIRP, CIRP, Senior Vice President	3.9	\$ 550.00	\$ 2,145.00
Bryan A. Tannenbaum, CA•CIRP, FCIRP, Senior Vice President	0.5	550.00	275.00
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	62.2	460.00	28,612.00
Rose Brown, Staff Technician	0.4	160.00	64.00
Edith Sehrbrock, Staff Technician	<u>3.5</u>	160.00	<u>560.00</u>
Total Hours	<u>70.5</u>		
		Our Fee GST @ 5%	\$31,656.00 1,582.80
Amount Payable			\$33,238.80

Payable upon receipt to Deloitte & Touche Inc.


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

2508829

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 27, 2010
Invoice No: 2602225
Client/Mandate No: 891048.1000000
Billing Partner: Daniel R. Weisz

GST Registration No: 133245290

Invoice #25

Re: 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 February 1, 2010 to March 31, 2010, including;

- Correspondence on February 4, 2010 with a potential purchaser regarding the status of consideration of its offer;
- Preparation for and attendance on February 10, 2010 at a meeting with Diversicare Canada Management Services Co., Inc. ("Diversicare") to review the 2010 budget and other matters;
- Review on February 11, 2010 of correspondence from Diversicare regarding reconciliation of the Ministry of Health and Long-Term Care (the "MOH") accounts;
- Discussion on February 12, 2010 with Mr. John A. Jensen of John A. Jensen Realty Inc. ("Jensen Realty") regarding review of building and quote for redevelopment report;
- Review on February 12, 2010 of MOH correspondence regarding Occupancy Based Funding for 2009;
- Review of correspondence on February 15, 2010 from the MOH regarding

data validation for licensees;

- Review on February 17, 2010 of benefits renewal information and approval of same;
- Telephone messages on February 19, 2010 to and from Mr. Jensen regarding tours and site plans;
- Discussion on February 22, 2010 with Mr. Jensen regarding results of site visit;
- Arrange on February 22, 2010 for meeting with Peoples Trust Company ("Peoples") and Canada Mortgage and Housing Corporation ("CMHC");
- Correspondence on February 22, 2010 to CMHC regarding offer received;
- Review on February 22, 2010 of cash flow funding;
- Review on February 23, 2010 of December operating results;
- Review on February 24, 2010 of financial statement summary and provide copy to Peoples;
- Preparation for and attendance on February 25, 2010 at a meeting with CMHC and Peoples to discuss an offer for Casa Verde, requirement for updated appraisals and preparation of a redevelopment report;
- Telephone correspondence on February 25, 2010 to appraisers regarding submission of proposals;
- Provide on March 1, 2010 information on Casa Verde to appraisers in consideration of submission of proposals;
- Prepare on March 1, 2010 and submit Data Validation Forms and supporting documentation to the MOH;
- Correspondence on March 2, 2010 with Peoples and CMHC regarding appraisal proposals;
- Execute on March 3, 2010 of appraisal contract and forward information request to Diversicare and subsequent discussion with Ms. Pinky Lee of Diversicare regarding same;
- Forward on March 5, 2010 property tax information to Mr. Jensen;
- Correspondence on March 8, 2010 with Mr. Jensen regarding quotation for redevelopment analysis and review of same; correspondence with Mr. Jensen regarding tax status of Casa Verde;
- Attendance on March 10, 2010 on a telephone call with Mr. Jensen regarding redevelopment report proposal from OCA Architects ("OCA");
- Attendance on March 11, 2010 on a telephone call with Mr. Jensen regarding proposal to prepare redevelopment report;

- Preparation on March 11, 2010 of correspondence to the Central LHIN regarding Registered Practical Nurse Stylization Funding amendment to the service funding agreement;
- Attendance on March 15, 2010 at meeting with OCA regarding its redevelopment proposal and update to Peoples and CMHC regarding same;
- Review on March 15, 2010 of January operating results;
- Correspondence on March 18, 2010 from Diversicare regarding cash flow funding;
- Review on March 18, 2010 of files regarding the MOH claw back;
- Review on March 22, 2010 of correspondence from Diversicare regarding wage adjustments;
- Review and execute on March 24, 2010 the listing agreement extension with Jensen Realty;
- Correspondence on March 25, 2010 with Diversicare regarding the status of various issues;
- Review and revise on March 26, 2010 of a termination letter for an employee and forward to Diversicare;
- Correspondence on March 29, 2010 with OCA regarding acceptance of its proposal and its information requirements;
- Correspondence on March 29, 2010 with Diversicare regarding LHIN confidentiality issue; 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.

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel R. Weisz, CA•CIRP, CIRP, Senior Vice President	0.6	\$ 550.00	\$330.00
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	41.2	460.00	18,952.00
Rose Brown, Estate Administrator	<u>1.3</u>	160.00	<u>208.00</u>
Total Hours	<u>43.1</u>		
		Our Fee	\$19,490.00
		GST @ 5%	974.50
		Amount Payable	\$20,464.50

Payable upon receipt to Deloitte & Touche Inc.



Daniel R. Weisz, CA•CIRP, CIRP
Senior Vice President
4512434

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: August 6, 2010
Invoice No: 2683155
Client/Mandate No: 891048.1000000
Billing Partner: Daniel R. Weisz

GST Registration No: 133245290

Invoice #26

Re: 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 April 1, 2010 to June 30, 2010, including;

- Review on April 1, 2010 of information requested by Ms. Susan Alford of CWPC Seniors' Housing Group ("CWPC") and respond to same;
- Review of correspondence on April 6, 2010 from Mr. Scott Schumacher of OCA Architects ("OCA") regarding the status of its redevelopment analysis for Casa Verde;
- Discussions on April 7, 2010 with Ms. Millie Christie of Diversicare Canada Management Co., Inc. ("Diversicare") regarding the status of various matters;
- Review on April 9, 2010 of February 2010 operating statements and forward same to Mr. Martin Mallich of Peoples Trust Company ("Peoples Trust") and Mr. Eamonn O'Rafferty of Canada Mortgage and Housing Corporation ("CMHC");
- Discussion on April 9, 2010 with Mr. John Jensen of John A. Jensen Realty Inc. regarding the status of a potential purchaser's continued interest in Casa Verde;
- Correspondence on April 13, 2010 with Ms. Alford regarding outstanding information required and provide same;

- Discussion on April 15, 2010 with Mr. Jensen regarding the status of the sales process and tour requests;
- Correspondence on April 15, 2010 with Diversicare regarding various operational matters;
- Correspondence on April 19, 2010 with Diversicare regarding its monthly cash flow funding request;
- Review of correspondence on April 21, 2010 from Ms. Nancy Shapiro of Koskie Minsky LLP, counsel to a terminated employee, and forward same to Diversicare for comments;
- Discussion on April 23, 2010 with Mr. Cliff Prophet of Gowling Lafleur Henderson LLP regarding a potential claim from a terminated employee and subsequent discussion with Ms. Christie regarding same;
- Review of correspondence on April 23, 2010 from Ms. Christie regarding proposed capital projects and subsequent discussion regarding same, and information regarding the employee termination;
- Review and execute on April 23, 2010 an offer letter of employment for a Manager of Sales and Marketing;
- Correspondence on April 26, 2010 with Mr. Jensen regarding an interested party and protocol for accepting future offers;
- Correspondence on April 27, 2010 with Mr. Schumacher regarding the status of the redevelopment analysis;
- Correspondence on April 27, 2010 with Mr. Prophet regarding information regarding the employee termination;
- Correspondence on April 30, 2010 with Ms. Christie regarding M. Palermo;
- Discussion on May 3, 2010 with Ms. Christie regarding the termination of a temporary employee and prepare a letter regarding same;
- Correspondence on May 3, 2010 with Ms. Christie and Mr. Prophet regarding a proposed settlement with a terminated employee;
- Review on May 3, 2010 of the March 2010 operating statement and forward same to Mr. Mallich and Mr. O'Rafferty;
- Review on May 5 and 6, 2010 the proposed response to Ms. Shapiro regarding the terminated employee and provide comments to Mr. Prophet on same;
- Correspondence on May 11, 2010 with Ms. Alford regarding the status of the appraisal of Casa Verde;
- Correspondence on May 17, 2010 with Diversicare regarding its monthly cash flow funding request;
- Review of May 17 and 18, 2010 of CWPC's draft appraisal report for Casa Verde;


- Review and execute on May 20, 2010 an offer of employment letter for a Director of Clinical Services;
- Review on May 31, 2010 of a draft redevelopment analysis report prepared by OCA;
- Review on May 31, 2010 of Municipal Property Assessment Corp. ("MPAC") information request forwarded by Peoples and forward same to Diversicare;
- Forward on June 3, 2010 OCA's draft redevelopment analysis report to Mr. Mallich;
- Forward on June 3, 2010 CWPC's appraisal to Mr. Mallich;
- Attendance on June 4, 2010 at a meeting at Casa Verde with Ms. Christie and Mr. Richard Stewart, Administrator, to review proposed capital expenditure program and tour the facility;
- Correspondence on June 4, 2010 with Mr. Mallich regarding marketing of Casa Verde;
- Discussion on June 7, 2010 with Mr. Prophet regarding a resident matter;
- Review of correspondence on June 8, 2010 from Ms. Christie regarding a reference letter for a terminated employee;
- Correspondence on June 9, 2010 with Diversicare regarding monthly cash flow funding;
- Discussion on June 10, 2010 with Diversicare regarding various matters;
- Review on June 11, 2010 of CWPC's final appraisal of Casa Verde;
- Review on June 14, 2010 of correspondence from Jensen regarding a proposal to purchase Casa Verde;
- Review on June 15, 2010 of Jensen's proposed marketing brochure for Casa Verde;
- Discussion on June 21, 2010 with Mr. O'Rafferty regarding a request for certain information on Casa Verde and provide same;
- Discussion on June 22, 2010 with Mr. Jensen regarding the status of a potential purchaser;
- Review on June 23 and 24, 2010 of draft terms for a potential sale of Casa Verde and provide comments to Mr. Jensen;
- Review on June 28, 2010 of Service Accountability Agreement ("SAA") with the Central Local Health Integration Network (the "LHIN") and forward same to Gowlings for comments;

- Correspondence on June 28, 2010 with Ms. Rameena Shiwram of Canada Brokerlink regarding adding the LHIN as an Additional Insured pursuant to the terms of the SAA;
- Correspondence on June 29, 2010 with Mr. Jensen regarding the purchaser's counter offer;
- Discussion on June 29, 2010 with Mr. Prophet regarding his comments on the SAA;
- Review, execute and courier on June 30, 2010 the SAA to the LHIN; 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.

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	550.00	\$ 495.00
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	48.9	460.00	22,494.00
Rose Brown, Estate Administrator	<u>2.6</u>	160.00	<u>416.00</u>
Total Hours	<u>52.4</u>		
		Our Fee	\$23,405.00
		GST @ 5%	1,170.25
		Amount Payable	\$24,575.25

Payable upon receipt to Deloitte & Touche Inc.


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

#321480

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: October 15, 2010
Invoice No: 2716145
Client/Mandate No: 891048.1000000
Billing Partner: Daniel R. Weisz
HST Registration No: 133245290

Invoice #27

Re: 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 July 1, 2010 to August 31, 2010, including;

- Correspondence on July 5, 2010 with Ms. Rameena Shiwram of Canada Brokerlink regarding the Certificate of Insurance to be provided to the Central LHIN;
- Discussion on July 6, 2010 with Mr. John Jensen of John A. Jensen Realty Inc. regarding status of the potential purchaser and terms of proposed agreement of purchase and sale ("APS"); revise the Service Accountability Agreement between Casa Verde and the Central LHIN;
- Review on July 6, 2010 of the Long-Term Care Home Licence issued by the Ministry of Health and Long-Term Care and forward a copy to Casa Verde;
- Correspondence on July 7, 2010 to Canada Mortgage and Housing Corporation ("CMHC") regarding a proposed transaction and correspondence with Peoples Trust Company ("Peoples Trust") regarding same;
- Review on July 7, 2010 of an Insurance Endorsement adding the Central LHIN as an Additional Insured and forward same to the Central LHIN;
- Prepare on July 7, 2010 the acknowledgement for the Central LHIN in conjunction with the Service Accountability Agreement;

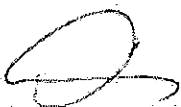
- Correspondence on July 7, 2010 with Peoples Trust regarding the proposed terms of the APS;
- Correspondence on July 8, 2010 from CMHC regarding an offer from an interested party;
- Discussion on July 8, 2010 with Mr. Jeff Kwan of the Central LHIN regarding changes to the Service Accountability Agreement;
- Correspondence on July 8, 2010 with Mr. Scott Schumacher of OCA Architects regarding the availability of "as built" plans for Casa Verde;
- Review on July 9, 2010 of correspondence from CMHC regarding Casa Verde;
- Review on July 12, 2010 of correspondence regarding the settlement with a terminated employee and forward same to Diversicare;
- Discussion on July 12, 2010 with Ms. Millie Christie of Diversicare Canada Management Co., Inc. ("Diversicare") regarding a collections agreement and other issues;
- Prepare on July 12, 2010 an APS for a contemplated transaction with an interested party;
- Execute on July 13, 2010 the updated Service Accountability Agreement with the Central LHIN;
- Draft on July 13, 2010 the APS;
- Draft on July 14, 2010 the APS, discuss same with Mr. Cliff Prophet of Gowling Lafleur Henderson LLP ("Gowlings") and forward same to Gowlings for its review;
- Finalize on July 15, 2010 the settlement with a terminated employee and correspondence with Gowlings and Diversicare regarding same;
- Correspondence on July 26, 2010 with Diversicare regarding issues involved in the settlement with a terminated employee;
- Discussion on July 27, 2010 with Mr. Eamonn O'Rafferty of CMHC regarding status of the sale process; review of financial information and respond to questions from CMHC;
- Correspondence on July 28, 2010 with Ms. Christie regarding various matters;
- Discussion on August 3, 2010 with Mr. Jensen regarding the status of the APS; accumulate due diligence information for the interested party;
- Review and complete on August 5, 2010 a credit application with Chubb Credit; subsequent review of files and correspondence with Diversicare regarding information requested by an interested party;
- Review on August 6, 2010 of June operating results and forward same to Mr. Jensen, Mr. Martin Mallich of Peoples and Mr. O'Rafferty;

- Review on August 9, 2010 of the interested party's comments on the APS;
- Discussion on August 10, 2010 with Mr. Harry VanderLugt of Gowlings regarding the interested party's comments on the APS;
- Correspondence on August 10, 2010 with Peoples Trust regarding the status of the APS and surplus cash in the Receiver's account;
- Review on August 12, 2010 of the interested party's proposed changes to the APS and a discussion with Mr. VanderLugt regarding same;
- Discussion on August 16, 2010 with Mr. Jensen regarding the status of the APS and a subsequent discussion with Mr. VanderLugt regarding same;
- Respond on August 16, 2010 to information requested by CMHC;
- Review on August 16, 2010 a contract for natural gas supply and execute the contract;
- Discussion on August 17, 2010 with Mr. Jensen regarding the APS and various correspondence regarding same;
- Discussion on August 18, 2010 with Mr. Jensen regarding the interested party's position on various issues contained in and relating to the APS;
- Correspondence on August 20, 2010 with Diversicare regarding various contracts; review of due diligence materials;
- Correspondence on August 23, 2010 from Diversicare regarding taxes and other matters;
- Discussion on August 24, 2010 with Mr. Jensen regarding the status of the response to the interested party;
- Correspondence on August 24, 2010 with Mr. VanderLugt regarding the status of the APS and strategy regarding same;
- Correspondence on August 26, 2010 with Diversicare regarding MOH reconciliations and review of same;
- Correspondence on August 27, 2010 from Mr. Jensen regarding site tours;
- Review on August 31, 2010 of July operating results and forward same to Peoples Trust, CMHC and Mr. Jensen;
- Review on August 30, 2010 of correspondence regarding the APS; 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.

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	3.0	\$ 550.00	\$1,650.00
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	66.2	460.00	30,452.00
Rose Brown, Estate Administrator	<u>0.7</u>	160.00	112.00
Total Hours	<u>69.9</u>		
		Our Fee	\$32,214.00
		HST @ 13%	4,187.82
		Amount Payable	\$36,401.82

Payable upon receipt to Deloitte & Touche Inc.


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

#321403

Deloitte & Touche Inc.
181 Bay Street
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Toronto ON M5J 2V1
Canada

Tel: 416-601-6150
Fax: 416-601-6690
www.deloitte.ca

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: December 17, 2010
Invoice No: 2754421
Client/Mandate No: 891048.1000000
Billing Partner: Daniel R. Weisz
HST Registration No: 133245290

Invoice #28

Re: 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 September 1, 2010 to October 31, 2010, including;

- Discussion on September 1, 2010 with Mr. Harry Vanderlugt of Gowling Lafleur Henderson LLP ("Gowlings") regarding the status of the Agreement of Purchase and Sale ("APS");
- Review on September 2, 2010 of the APS and correspond with Mr. VanderLugt regarding same;
- Review on September 3, 2010 of the APS;
- Review on September 7, 2010 of the APS;
- Discussion on September 7, 2010 with Mr. John Jensen of John A. Jensen Realty Inc. regarding the status of the transaction;
- Review on September 8, 2010 of changes to the APS;
- Review on September 8, 2010 of the APS and provide comments to Mr. VanderLugt;
- Discussion on September 17, 2010 with Mr. Jensen regarding the status of the APS, including subsequent discussion with Mr. VanderLugt regarding same;

Paragon Health Care Inc. o/a Casa Verde Health Centre - Receivership
December 17, 2010
Page 2 of 4 – Invoice #28

- Discussion on September 21, 2010 with Mr. Jensen regarding the status of the sales process;
- Review on September 21, 2010 of correspondence regarding wage increases;
- Discussion on September 21, 2010 with Diversicare Canada Management Co., Inc. ("Diversicare") regarding various matters;
- Prepare correspondence on September 22, 2010 regarding monthly cash flow funding;
- Correspondence on September 27, 2010 with Renders LLP in connection with approval for the 2009 audit of Long-Term Care Annual Report;
- Correspondence on September 28, 2010 with Mr. Jensen regarding status of a response from the purchaser;
- Review on September 28, 2010 of the August, 2010 operating statements;
- Discussion on October 4, 2010 with Mr. VanderLugt regarding the status of the APS and review of due diligence materials;
- Review on October 5, 2010 of all contracts on file and create a summary of the contracts to be attached to the APS;
- Review on October 5, 2010 of the APS and provide comments thereon;
- Review and revise on October 7, 2010 the contract listing and forward to Mr. VanderLugt;
- Review on October 7, 2010 of the updated APS and letter relating thereto, including subsequent call with Mr. VanderLugt regarding same;
- Prepare for and attendance on October 8, 2010 on a conference call with Mr. VanderLugt to discuss revisions to the APS;
- Review on October 12, 2010 of the updated APS;
- Discussion on October 12, 2010 with Mr. Jensen regarding the status of the APS;
- Discussion on October 13, 2010 with Mr. Eamonn O'Rafferty of Canada Mortgage and Housing Corporation ("CMHC") regarding the status of Casa Verde;
- Review on October 15, 2010 of various correspondence;
- Review on October 15, 2010 of changes to the draft APS;
- Review and execute on October 18, 2010 an offer of employment letter;
- Review on October 18, 2010 of correspondence from Diversicare regarding cash flow funding;
- Discussion on October 19, 2010 with Mr. VanderLugt regarding e-mail

received from counsel to the purchaser in connection with the APS;

- Review on October 20, 2010 of the final APS documents in preparation for execution;
- Review on October 20, 2010 the final versions of APS and execute same;
- Prepare for and meet on October 21, 2010 with Mr. VanderLugt to deliver the executed APS and attendance upon final changes thereto;
- Discussion on October 21, 2010 with Ms. Millie Christie of Diversicare regarding status of the sales process and employee related matters;
- E-mail correspondence on October 26, 2010 to/from Mr. VanderLugt regarding extension to the due diligence period requested by the purchaser;
- Correspondence on October 26, 2010 with Peoples and CMHC regarding the status of the sale of Casa Verde;
- Correspondence on October 26, 2010 with Mr. Jensen and provide due diligence materials;
- Correspondence on October 27, 2010 with Mr. Jensen regarding meeting the with the purchaser;
- Correspondence on October 27, 2010 with Diversicare regarding due diligence materials;
- Review and execute on October 28, 2010 of the Amendment to the Agreement of Purchase and Sale ("Amendment") and forward same to Mr. VanderLugt;
- Correspondence on October 28, 2010 with Gowlings and Mr. Jensen regarding the APS and the Amendment; 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.

Paragon Health Care Inc. o/a Casa Verde Health Centre - Receivership
 December 17, 2010
 Page 4 of 4 - Invoice #28

Summary of fees

Staff	Hours	Hourly Rates	Total Fees
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	9.5	\$ 575.00	\$5,462.50
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	44.0	480.00	21,120.00
Weber, Haley, Senior Consultant	9.0	245.00	2,205.00
Rose Brown, Estate Administrator	<u>1.6</u>	160.00	256.00
Total Hours	<u>64.1</u>		
		Our Fee	\$29,043.50
		HST @ 13%	3,775.66
		Amount Payable	\$32,819.16

Payable upon receipt to Deloitte & Touche Inc.



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

#528205

Deloitte

This is Exhibit "D" referred to
in the Affidavit of Harvey Bricks
Sworn before me this 14th day of
February, 2010
A Commissioner, etc.

Deloitte & Touche Inc.
1 Concorde Gate, Suite 200
Toronto, Ontario M3C 4G4
Canada

244

Tel: 416-601-6150
Fax: 416-601-6690
www.deloitte.ca

Anna Korzenos, a Commissioner, etc.,
Province of Ontario,
for Deloitte & Touche Inc.,
Trustee in Bankruptcy,
Expires June 6, 2011.

Private and Confidential

1508669 Ontario Limited o/a West Park Health Centre
c/o Deloitte & Touche Inc.
1 Concorde Gate
Suite 200
North York, Ontario
M3C 4G4

Date: January 27, 2010
Invoice No: 2542758
Client/Mandate No: 891066.1000000
Billing Partner: Daniel R. Weisz

GST Registration No: 133245290

Invoice #23

RE: 1508669 Ontario Limited ("1508669" or the "Company") –
Receivership o/a West Park Health Centre ("West Park")

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 for the period October 1, 2009 to November 30,
2009, including:

- Review and respond on October 2, 2009 to request for financial information from Peoples Trust Company ("Peoples");
- Respond on October 5, 2009 to Peoples regarding resident room occupancy and rates;
- Correspondence on October 7, 2009 with Mr. Eric Hall of Diversicare Management Services Canada, Inc. ("Diversicare") regarding flooring issues, forward correspondence to Peoples and discuss same;
- Review on October 14, 2009 of Long-Term Care Home Accountability Planning Submission ("LAPS");
- Review on October 15, 2009 of August operating results;
- Review on October 16, 2009 and respond to Mr. Martin Mallich of Peoples regarding site plans; forward request for plans to Ms. Brenda Sinan;
- Review on October 20, 2009 of correspondence from Canada Revenue Agency ("CRA") regarding a request for sale and forward same to

Gowling Lafleur Henderson LLP (“Gowlings”);

- Review on October 21, 2009 of correspondence from CRA regarding a request for financial information;
- Discussion on October 26, 2009 with Peoples regarding the status of foreclosure proceedings and site drawings;
- Review on November 5, 2009 of correspondence from Mr. Don Jeffrey of Diversicare regarding employee matters;
- Discussion on November 5, 2009 with Ms. Anne Walton regarding the status of West Park regarding Ministry of Health (“MOH”) review and requirement for capex, and e-mail correspondence to Mr. Mallich regarding same;
- Review of correspondence on November 6, 2009 from Ms. Walton regarding MOH meeting and the requirement to purchase certain assets in connection therewith and advise Peoples of same;
- Discussion on November 11, 2009 with Diversicare regarding the status of various matters;
- Attendance on November 12, 2009 at West Park for exit interview with the MOH; separate discussion with Mr. Hall regarding the plan for dealing with enforcement inspections by the MOH;
- Review on November 13, 2009 of MOH report on exit review; prepare correspondence to Peoples regarding the meeting with the MOH and its decision to place West Park into enhanced enforcement;
- Review on November 13, 2009 of correspondence from Gowlings regarding foreclosure action;
- Attendance on a conference call on November 17, 2009 with Mr. L. Wittlin of Lang Michener LLP regarding foreclosure action;
- Review on November 17, 2009 of submission to the Local Health Integration Network and correspondence regarding an employee who resigned and forward same to Diversicare;
- Correspondence on November 18, 2009 from Ms. Pinky Lee of Diversicare regarding property taxes and discussion with Mr. Mallich regarding same;
- Review on November 18, 2009 of September operating results;
- Review on November 18, 2009 of LAPS and execute same;
- Review on November 20, 2009 and execute an offer of employment for an RN Supervisor;
- Review on November 20, 2009 of results of enforcement inspection and discuss same with Diversicare;
- Review on November 23, 2009 of cash flow funding request and

execute same;

- Discussion on November 25, 2009 with Mr. Hall regarding the status of MOH reviews and the Administrator role and forward previously sent e-mail correspondence to Gowlings regarding same;
- Review on November 26, 2009 of correspondence from Diversicare regarding an RN who resigned;
- Review on November 26, 2009 of correspondence from Diversicare regarding Occupancy Based Funding ("OBF") and execute same for submission; 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 time is as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel R. Weisz, CA•CIRP, CIRP, Senior Vice President	2.1	\$550.00	\$ 1,155.00
Hartley Bricks, MBA, CA•CIRP, Vice President	18.3	460.00	8,418.00
Edith Sehrbrock, Staff Technician	<u>2.7</u>	160.00	<u>432.00</u>
Total Hours	<u>23.1</u>		
		Our Fee	\$ 10,005.00
		GST @ 5%	500.25
Amount Payable			\$10,505.25

Payable upon receipt to Deloitte & Touche Inc.



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

#303158

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1508669 Ontario Limited o/a West Park Health Centre
c/o Deloitte & Touche Inc.
181 Bay Street
Suite 1400
Toronto, Ontario
M5J 2V1

Date: March 16, 2010
Invoice No: 2571003
Client/Mandate No: 891066.1000000
Billing Partner: Daniel R. Weisz
GST Registration No: 133245290

Invoice #24

**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 December 1, 2009 to January
31, 2010, including:**

- Discussion on December 1, 2009 with Mr. Clifton Prophet of
Gowling Lafleur Henderson LLP ("Gowlings") regarding
potential termination package for an employee;
- Review on December 2, 2009 of correspondence from Mr.
Prophet regarding suggested termination package;
- Discussion on December 7, 2009 with Mr. Martin Mallich of
Peoples Trust Company ("Peoples") regarding previous offers
for West Park;
- Preparation of the Receiver's Fifth Report to Court;
- Discussion on December 11, 2009 with Ms. Laura White of
Kronis Rotzstain Margles Cappel ("KRMC") regarding the
status of 4 Lantana Circle, St. Catherines ("Lantana
Property"); research on web regarding the Lantana Property;
update court report and advise Gowlings of the status of the
Lantana Property;


- Finalization on December 16, 2009 the Receiver's Fifth Report to Court and forward to Gowlings for review and comments;
- Discussion on December 18, 2009 with Mr. John A. Jensen of John A. Jensen Realty Inc. regarding a potential purchaser's interest in West Park; review of files regarding environmental reports and forward to Mr. Jensen;
- Review on December 24, 2009 of e-mail correspondences regarding insurance;
- Correspondence on January 5, 2010 with Diversicare regarding the Ministry of Health and Long-Term Care's (the "MOH") review of West Park and suggested changes to staffing;
- Attendance on January 6, 2010 on a conference call with representatives of the MOH to discuss its review of West Park; review of MOH letter and prepare correspondence to Peoples regarding same;
- Attendance on January 7, 2010 upon a conference call with Mr. VanderLugt and Mr. Prophet to discuss the receivership in light of foreclosure of second mortgage by Peoples;
- Review on January 7, 2010 of correspondence from MOH regarding its review of West Park;
- Review on January 7, 2010 of insurance policy, discussion with Gowlings regarding same and prepare correspondence to Canada Brokerlink regarding required changes to documents;
- Arrange on January 8, 2010 a meeting with Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding MOH's review and update Peoples regarding same; correspondence with Peoples regarding status of strategy for the property;
- Preparation for and attendance at a meeting on January 11, 2010 with Mr. Eric Hall and Ms. Anne Walton of Diversicare to discuss issues with West Park and prepare for meeting with MOH;
- Review on January 12, 2010 of MOH documents;
- Preparation for and attendance at a meeting on January 14, 2010 at the MOH to discuss enforcement and sanction proceedings and the plan to deal with same; discussion with Canada Brokerlink regarding changes to insurance policy;
- Preparation on January 15, 2010 of follow up correspondence to Mr. Tim Burns of the MOH regarding the previous day's meeting;

- Review on January 18, 2010 of Diversicare memo regarding status of West Park;
- Review on January 18, 2010 of e-mail correspondences regarding insurance and the revised insurance certificate;
- Reconciliation on January 19, 2010 of MOH funds received in 2009;
- Execute on January 20, 2010 the Umbrella Liability Endorsement for West Park;
- Review on January 22, 2010 of Diversicare's action plan to deal with the MOH's enforcement monitoring;
- Correspondence on January 25, 2010 with Peoples regarding status of a previously interested party's current interest in West Park; 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 time is as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel R. Weisz, CA•CIRP, CIRP, Senior Vice President	6.6	\$550.00	\$ 3,630.00
Hartley Bricks, MBA, CA•CIRP, Vice President	47.5	460.00	21,850.00
Rose Brown, Staff Technician	0.6	160.00	96.00
Edith Sehrbrock, Staff Technician	1.7	160.00	<u>272.00</u>
Total Hours	<u>56.4</u>		
		Our Fee	\$ 25,848.00
		GST @ 5%	1,292.40
	Amount Payable		\$27,140.40

Payable upon receipt to Deloitte & Touche Inc.


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

#208636

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 27, 2010
Invoice No: 2602251
Client/Mandate No: 891066.1000000
Billing Partner: Daniel R. Welsz

GST Registration No: 133245290

Invoice #25

**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 February 1, 2010 to March
31, 2010, including:**

- Review and execute on February 2, 2010 offer letters of employment;
- Review of correspondence on February 3, 2010 from Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding an update on West Park;
- Attendance on February 3, 2010 on a telephone call with Mr. Eric Hall of Diversicare in preparation for a telephone conference call with the Ministry of Health and Long-Term Care (the "MOH");
- Discussion on February 4, 2010 with Mr. Hall regarding termination of an employee and other operational matters;
- Attendance on February 4, 2010 on a telephone conference call with the MOH regarding the status of enforcement proceedings at West Park;

- Review on February 5, 2010 of Diversicare's report on the status of activities to deal with enforcement proceedings;
- Discussion on February 11, 2010 with Mr. Hall regarding the status of MOH's review of West Park and termination of an employee;
- Correspondence on February 11, 2010 with Mr. Hall regarding the purchase of new beds;
- Discussion on February 12, 2010 with Ms. Anne-Marie Casse of the MOH regarding a newspaper article on West Park and MOH's position regarding same; subsequent telephone message to Mr. Hall regarding same;
- Review of correspondence on February 15, 2010 from the MOH regarding Data Validation Forms and complete same;
- Correspondence on February 17, 2010 with Diversicare regarding the status of the MOH review and enforcement;
- Preparation on February 19, 2010 of cash flow funding;
- Review on February 19, 2010 of correspondence to the MOH regarding the enforcement proceedings;
- Review and execute on February 19, 2010 an offer letter of employment;
- Review on February 22, 2010 of status update on the MOH and subsequent discussions with Mr. Hall regarding same;
- Review on February 23, 2010 of December 2009 operating results;
- Review on February 23, 2010 of correspondence from Diversicare regarding reconciliation of MOH accounts;
- Provide on February 25, 2010 a financial statement summary to Peoples Trust Company ("Peoples") and Canada Mortgage and Housing Corporation ("CMHC");
- Preparation for and attendance on February 25, 2010 at a meeting with CMHC and Peoples to discuss the status of West Park and requirement for updated appraisals and a redevelopment report;
- Telephone correspondence on February 25, 2010 to appraisers regarding submission of proposals;
- Provide information on March 1, 2010 on West Park to appraisers in consideration of submitting a proposal;
- Prepare and submit on March 1, 2010 Data Validation Forms and supporting documentation to the MOH;
- Complete on March 2, 2010 an amending agreement regarding RPN

Funding and LTC Homes Service Accountability Notice;

- Discussion on March 3, 2010 with Mr. Hall regarding the status of the MOH review and timing for the exit interview;
- Execute on March 3, 2010 the appraisal contract and forward information request to Diversicare and subsequent discussion with Ms. Pinky Lee of Diversicare regarding same;
- Attendance on March 5, 2010 on a telephone conference call with the MOH regarding results of enforcement review and lifting of sanctions, subsequent discussion with Mr. Hall and e-mail correspondence to Peoples;
- Review on March 8, 2010 of correspondence from the MOH regarding review and exit meeting;
- Correspondence on March 10, 2010 with Diversicare regarding the status of the 2010 budget;
- Correspondence on March 10, 2010 with Peoples regarding the status of the listing agreement for West Park;
- Attendance on March 10, 2010 on a telephone call with Mr. John A. Jensen of John A. Jensen Realty Inc. regarding renewal of the listing agreement and discussion of listing price;
- Discussion on March 11, 2010 with Mr. Jensen regarding redevelopment proposal;
- Attendance on March 15, 2010 at a meeting with OCA Architects ("OCA") to discuss redevelopment report proposal and update to Peoples and CMHC regarding same;
- Discussion on March 17, 2010 with Mr. Jensen regarding status; review of listing agreement and provide comments to Mr. Jensen; coordinate site visit with Mr. Jensen regarding an interested party;
- Review on March 18, 2010 of files regarding funding and an MOH claw back;
- Complete on March 22, 2010 the listing agreement with Mr. Jensen;
- Review on March 22, 2010 of the 2010 budget and discuss same with Mr. Hall;
- Discussion on March 25, 2010 with the City of St. Catharines (the "City") regarding change of ownership cut off issue and advise Diversicare and Peoples regarding same;
- Review correspondence on March 26, 2010 from Diversicare regarding repairs to flooring; forward the City's correspondence to Peoples;

- Correspondence on March 29, 2010 with OCA regarding acceptance of proposal and their information requirements;
- Compile and provide on March 30, 2010 financial information for the appraiser;
- Correspondence on March 31, 2010 with Diversicare regarding HST implications; discussion with Ms. Paige Chan regarding bank accounts; 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 time is as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel R. Weisz, CA•CIRP, CIRP, Senior Vice President	0.5	\$550.00	\$275.00
Hartley Bricks, MBA, CA•CIRP, Vice President	39.4	460.00	18,124.00
Rose Brown, Staff Technician	<u>1.3</u>	160.00	<u>208.00</u>
Total Hours	<u>41.2</u>		
		Our Fee	\$18,607.00
		GST @ 5%	930.35
		Amount Payable	\$19,537.35



Payable upon receipt to Deloitte & Touche Inc.

Daniel R. Weisz, CA•CIRP, CIRP
Senior Vice President
4512820

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: August 6, 2010
Invoice No: 2683151
Client/Mandate No: 891066.1000000
Billing Partner: Daniel R. Weisz

GST Registration No: 133245290

Invoice #26

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 April 1, 2010 to June 30,
2010, including:

- Correspondence on April 1, 2010 from Mr. Eric Hall of Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding the status of the Ministry of Health and Long-Term Care (the "MOH") review of West Park;
- Discussion on April 6, 2010 with Ms. Louise Crofts of Employment Standards regarding West Park and a former employee claim, and provide Ms. Crofts with a copy of the Appointment Order;
- Correspondence on April 6, 2010 with Mr. Scott Schumacher of OCA Architects regarding the status of its preparation of a redevelopment analysis;
- Correspondence on April 7, 2010 with Mr. Hall regarding the status of various operating matters;
- Review and respond on April 7, 2010 to questions from Ms. Susan Alford of CWPC Seniors' Housing Group ("CWPC") and forward same to Diversicare for comments;
- Discussion on April 8, 2010 with Mr. John Jensen of John A. Jensen Realty Inc. regarding the results of a site tour;

- Review on April 8, 2010 of correspondence from Diversicare regarding operational matters;
- Review on April 9, 2010 of February 2010 operating statements and forward same to Peoples Trust Company ("Peoples") and Canada Mortgage and Housing Corporation ("CMHC");
- Review of April 9, 2010 of MOH report and discuss same with Mr. Hall;
- Discussion on April 13, 2010 with Ms. Alford and provide her with information to assist in CWPC's appraisal of West Park;
- Discussion on April 15, 2010 with Mr. Eric Hall of Diversicare regarding the status of various matters;
- Correspondence on April 15, 2010 with Ms. Alford and provide her with various information requested;
- Correspondence on April 19, 2010 with Diversicare regarding monthly cash flow funding;
- Correspondence on April 21, 2010 from Mr. Hall regarding required upgrades to patio area;
- Discussion on April 22, 2010 with Mr. Jensen regarding the status of West Park;
- Various correspondence on April 22, 2010 with Mr. Hall regarding matters concerning the Director of Resident Care;
- Review on April 23, 2010 of CWPC's draft appraisal;
- Correspondence on April 26, 2010 with Mr. Jensen regarding an interested party;
- Discussion on April 27, 2010 with Mr. Jensen regarding the status of West Park and the interested party;
- Correspondence on April 28, 2010 with Diversicare regarding new hires and other matters;
- Correspondence and discussion on April 30, 2010 with Mr. Hall regarding an upcoming meeting with the MOH;
- Review on May 3, 2010 of March 2010 operating statements and forward same to Peoples and CMHC;
- Further review on May 3 and 4, 2010 of CWPC's draft appraisal and provide comments to Ms. Alford;
- Conference call on May 4, 2010 with Ms. Anne-Marie Casse of the MOH regarding a status update on the MOH's review and admission decisions and subsequent discussion with Mr. Hall regarding same;
- Correspondence on May 6, 2010 with CWPC regarding comments on the draft appraisal;

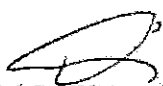
- Review on May 14, 2010 of correspondence from the MOH regarding the status of admissions;
- Correspondence on May 17, 2010 from Diversicare regarding monthly cash flow funding and respond to same;
- Review on May 20, 2010 of a further draft appraisal and prepare comments on same;
- Correspondence and discussions on May 21, 2010 with Ms. Alford regarding the draft appraisal;
- Review on May 25, 2010 of draft employment letter, and e-mail to Ms. Karen Reid of Diversicare in respect of same;
- Review on May 31, 2010 of MPAC request and forward same to Diversicare and correspondence with Peoples Trust Company ("Peoples") regarding property tax appeals;
- Attendance on May 31, 2010 on a conference call with MOH regarding the status of enforcement;
- Correspondence on June 1, 2010 with Ms. Lindsay Oxland of the Hamilton Niagara Haldimand Brant Local Health Integration Network ("LHIN") regarding the draft Service Accountability Agreement ("SAA") between the LHIN and West Park;
- Discussion on June 1, 2010 with Mr. Hall regarding the status of various operational matters;
- Correspondence on June 9, 2010 with Mr. Schumacher regarding the status of the redevelopment analysis report;
- Discussion on June 11, 2010 with Mr. Jensen regarding the status of the sale process;
- Correspondence on June 11, 2010 with Mr. Hall regarding various matters;
- Correspondence on June 18, 2010 from Ms. Rosalind Tarrant of the LHIN regarding a revised SAA;
- Correspondence on June 18, 2010 with Diversicare regarding monthly cash flow funding for West Park;
- Review on June 21, 2010 of information provided by Diversicare in response to MPAC's information request and forward same to MPAC on June 22, 2010;
- Forward on June 21, 2010 CWPC's appraisal of West Park to Mr. O'Rafferty;
- Discussion on June 22, 2010 with Mr. Jensen regarding the status of West Park;

- Review on June 28, 2010 of the SAA and forward same to Gowlings;
- Correspondence on June 28, 2010 with Ms. Rameena Shiwram of Canada Brokerlink regarding adding the LHIN as an Additional Insured pursuant to the terms of the SAA;
- Review and revise on June 29, 2010 the SAA after discussion with Mr. Prophet and prepare cover letter regarding same;
- Correspondence on June 29, 2010 with Peoples regarding further correspondence from MPAC;
- Further discussion on June 30, 2010 with Mr. Prophet regarding the SAA, sign same and courier to LHIN;
- 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 time is as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel R. Weisz, CA•CIRP, CIRP, Senior Vice President	2.5	\$550.00	\$ 1,375.00
Hartley Bricks, MBA, CA•CIRP, Vice President	50.4	460.00	23,184.00
Rose Brown, Staff Technician	<u>1.8</u>	160.00	<u>288.00</u>
Total Hours	<u>54.7</u>		
	Our Fee		\$24,847.00
	GST @ 5%		1,242.35
	Amount Payable		\$26,089.35

Payable upon receipt to Deloitte & Touche Inc.


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

5521454

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: October 15, 2010
Invoice No: 2716186
Client/Mandate No: 891066.1000000
Billing Partner: Daniel R. Weisz

HST Registration No: 133245290

Invoice #27

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 July 1 to August 31, 2010, including:

- Discussion on July 6, 2010 with Mr. John Jensen of John A. Jensen Realty Inc. regarding status;
- Discussion on July 6, 2010 with Hamilton Niagara Haldiman Brant Local Health Integration Network (the "LHIN") regarding revisions to the Service Accountability Agreement ("SAA"); subsequent discussion with Mr. Cliff Prophet of Gowling Lafleur Henderson LLP ("Gowlings") regarding same and prepare acknowledgement and forward for review;
- Review on July 6, 2010 a draft acknowledgement for the LHIN in conjunction with the SAA;
- Revise on July 7, 2010 an acknowledgement for the LHIN in conjunction with the SAA and forward same;
- Correspondence on July 7, 2010 with Mr. Eric Hall of Diversicare Canada Management Services Co., Inc. ("Diversicare") regarding bed licences;
- Correspondence on July 7, 2010 with OCA Architects ("OCA") regarding the status of its redevelopment review and report;
- Discussion and correspondence on July 7, 2010 with Mr. Jim Borysko of the LHIN regarding changes to the SAA;


- Correspondence on July 8, 2010 with Mr. Jensen regarding a possible letter of intent;
- Discussion on July 12, 2010 with Ms. Joanna Barber of West Park regarding a site tour;
- Execute on July 13, 2010 of the updated SAA with LHIN;
- Discussion on July 27, 2010 with Mr. Jensen regarding the status of the sales process;
- Discussion on July 27, 2010 with Mr. Eamonn O'Rafferty of Canada Mortgage and Housing Corporation ("CMHC") regarding the status of the redevelopment report and message to OCA Architects regarding same;
- Correspondence on July 28, 2010 with Mr. Hall regarding the census and Ministry of Health and Long-Term Care matters;
- Review on August 3, 2010 of various correspondence; review of executed SAA and forward copy to West Park for filing;
- Review on August 6, 2010 of June 2010 operating results and forward same to Mr. Jensen, Mr. Martin Mallich of Peoples Trust Company ("Peoples Trust") and Mr. O'Rafferty;
- Correspondence on August 6, 2010 with Mr. Mallich regarding the status of the redevelopment review and report;
- Travel on August 11, 2010 to West Park, meeting with Ms. Marjorie Mossman and Mr. Hall regarding various issues and a tour of the facility;
- Discussion on August 16, 2010 with Mr. Jensen regarding the status of the sales process and coordinate site tour; respond to information request from CMHC;
- Review on August 16, 2010 a natural gas supply contract and execute the contract;
- Review on August 17, 2010 of correspondence regarding elevator issues;
- Review on August 17, 2010 an offer of employment letter and execute the letter;
- Correspondence on August 20, 2010 with Diversicare and Peoples Trust regarding water bills for West Park;
- Prepare on August 20, 2010 correspondence regarding cash flow funding;
- Review correspondence on August 23, 2010 from Diversicare regarding the final realty tax bill and request same of Peoples Trust;
- Correspondence on August 24, 2010 with Ms. Mossman regarding the status of various issues;
- Correspondence on August 25, 2010 from Mr. Hall regarding elevator issues;
- Correspondence on August 26, 2010 regarding MOH reconciliation matters;

- Correspondence on August 27, 2010 with Peoples Trust and Diversicare regarding the tax bill;
- Review on August 30, 2010 of correspondence regarding tax bills;
- Discussion on August 30, 2010 with OCA regarding the status of the redevelopment report and update Peoples Trust regarding same;
- Review on August 31, 2010 of July operating results and forward same to Peoples Trust and Mr. Jensen;
- Review on August 31, 2010 of correspondence from OCA Architects; 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	0.7	\$ 550.00	\$385.00
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	35.8	460.00	16,468.00
Rose Brown, Estate Administrator	<u>0.4</u>	160.00	64.00
Total Hours	<u>36.9</u>		
		Our Fee	\$16,917.00
		HST @ 13%	2,199.21
		Amount Payable	\$19,116.21

Payable upon receipt to Deloitte & Touche Inc.


Daniel R. Weisz, CA•CIRP, CIRP
Senior Vice President
652-4650

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

Tel: 416-801-6150
Fax: 416-801-6690
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: December 17, 2010
Invoice No: 2754397
Client/Mandate No: 891066.1000000
Billing Partner: Daniel R. Weisz

HST Registration No: 133245290

Invoice #28

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 September 1 to October 31,
2010, including:

- Review on September 2, 2010 of various correspondence regarding repairs;
- Review on September 2, 2010 of the draft OCA Architect ("OCA") report;
- Review on September 7, 2010 of a Letter of Intent ("LOI") received and discuss same with Mr. John Jensen of John A. Jensen Realty Inc. and Mr. Harry Vanderlugt of Gowling Lafleur Henderson LLP ("Gowlings");
- Various correspondence on September 16, 2010 with Mr. Larry Doraty of Canada Mortgage and Housing Corporation ("CMHC") regarding the LOI; subsequent correspondence with Mr. Jensen regarding response to LOI;
- Discussion on September 17, 2010 with Mr. Jensen regarding the status of the response to the LOI;
- Correspondence on September 23, 2010 with Peoples Trust Company ("Peoples Trust") regarding the status of the LOI;
- Discussion on September 23, 2010 with Mr. Eamonn O'Rafferty of CMHC regarding the parameters of an acceptable offer;
- Review on September 28, 2010 of the August, 2010 operating statements;
- Correspondence on September 29, 2010 with Diversicare Canada

Management Services Co., Inc. ("Diversicare") regarding elevator repairs, and prepare correspondence to Peoples Trust regarding same;


- Discussion on September 29, 2010 with Mr. Cliff Prophet of Gowlings regarding cash flow matters at West Park;
- Discussion on October 4, 2010 with Mr. O'Rafferty regarding the parameters of an acceptable offer and the marketing process;
- Review on October 5, 2010 of correspondence received from CMHC and forward information requested;
- Review on October 7, 2010 of financial results;
- Correspondence on October 7, 2010 with CMHC regarding the parameters of an acceptable offer and discussion with Mr. Jensen regarding same;
- Discussion on October 12, 2010 with Mr. Jensen regarding the status of the CMHC review;
- Discussion on October 13, 2010 with Mr. O'Rafferty regarding the status of West Park;
- Review on October 18, 2010 of correspondence from Diversicare regarding cash flow funding;
- Correspondence on October 26, 2010 with Diversicare regarding cash flow funding; 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
 December 17, 2010
 Page 3 of 3 – Invoice #28

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Daniel Weisz, CA•CIRP, CIRP, Senior Vice President	0.4	\$ 575.00	\$230.00
Hartley Bricks, MBA, CA•CIRP, CIRP, Vice President	24.0	480.00	11,520.00
Rose Brown, Estate Administrator	<u>0.9</u>	160.00	144.00
Total Hours	<u>25.3</u>		
		Our Fee	\$11,894.00
		HST @ 13%	1,546.22
		Amount Payable	\$13,440.22

Payable upon receipt to Deloitte & Touche Inc.


 Daniel R. Weisz, CA•CIRP, CIRP
 Senior Vice President
 #524630

<p>PEOPLES TRUST COMPANY</p>	<p>Court File No.: 06-CL-6233</p> <p>- and -</p> <p>PARAGON HEALTH CARE INC. et al.</p>
<p>ONTARIO</p> <p>SUPERIOR COURT OF JUSTICE</p> <p>(PROCEEDING COMMENCED AT TORONTO)</p>	<p>AFFIDAVIT OF HARTLEY M. BRICKS</p> <p>(Sworn February 14, 2011)</p>
<p>Gowling Lafleur Henderson LLP</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>Clifton P. Prophet / Frank Lamie</p> <p>LSUC No.: 34345K / 54035S</p> <p>Telephone: (416) 369-3509 / (416) 862-3609</p> <p>Facsimile: (416) 862-7661</p> <p>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</p>	

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****Respondents**

**AFFIDAVIT OF HARRY R. VANDERLUGT
(Sworn February 14, 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**").

THIS IS EXHIBIT "A" TO THE
AFFIDAVIT OF HARRY R.
VANDERLUGT SWORN BEFORE
ME THIS 14TH DAY OF FEBRUARY,
2011.

A handwritten signature in cursive script, appearing to read "C. Priddy", written over a horizontal line.

A Commissioner, etc.

Exhibit "A"

LEGAL COSTS SUMMARY
Receivership of Paragon Health Care Inc.

LAWYER	YEAR OF CALL	HOURLY RATE 2009	HOURLY RATE 2010
Harry VanderLugt	1972	\$650.00	\$650.00
Ailsa Wiggins	1978	\$525	N/A
Allen V. Craig	1980	N/A	\$675
Clifton Prophet	1993	\$625.00	\$700.00
Rhonda Jansen	1992	\$575	\$600
Karen Borden	2002	\$470	N/A
John Illingworth	2003	\$385	N/A
Christine Marchetti	2006	\$330.00	\$370.00
Hillary Chancey	Law Clerk	N/A	\$205.00
Jean Misurec	Law Clerk	N/A	\$205.00
Ida Foisy	Law Clerk	N/A	\$205.00

SUMMARY OF ACCOUNTS					
No.	Date of Account	Fees	Disbursements	GST / HST	Total
1.	December 31, 2010	\$345.00	\$1.25	\$45.01	\$391.26
2.	December 8, 2010	\$675.00	\$26.14	\$91.15	\$792.29
3.	November 8, 2010	\$6,547.50	\$76.50	\$861.13	\$7,485.13
4.	October 8, 2010	\$542.50	\$15.30	\$72.52	\$630.32
5.	September 21, 2010	\$13,325.00	\$31.26	\$1,736.31	\$15,092.57

SUMMARY OF ACCOUNTS					
No.	Date of Account	Fees	Disbursements	GST / HST	Total

No.	Date of Account	Fees	Disbursements	GST / HST	Total
6.	August 5, 2010	\$3,870.00	\$0.00	\$497.50	\$4,367.50
7.	June 30, 2010	\$2,800.00	\$0.00	\$140.00	\$2,940.00
8.	December 31, 2009	\$9,860.00	\$0.00	\$493.00	\$10,353.00
TOTAL		\$37,965.00	\$150.45	\$3,936.62	\$42,052.07
Average Hourly Rate – Before GST		Total fees before GST \$37,965.00 ÷ Total hours of 64.8 = \$585.88			
TOTAL		\$42,052.07			

TOR_LAW\7585618\2



montréal • ottawa • toronto • hamilton • waterloo region • calgary • vancouver • moscow • london

Deloitte & Touche Inc.
Attention: Daniel Weisz, Senior Vice President
Brookfield Place
181 Bay Street, Suite 1400
Toronto ON M5J 2V1

December 31, 2010
INVOICE: 17147712

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	\$345.00
HST on Fees	44.85
Total Fees and Taxes	389.85

DISBURSEMENTS:

Disbursements (Taxable)	1.25
HST on Disbursements	0.16
Total Disbursements and Taxes	1.41

TOTAL INVOICE BALANCE:

Total for this Invoice	391.26
[Total HST: \$45.01]	
Please remit total invoice balance due:	In Canadian Dollars
	\$391.26

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
interest at the rate of 1.0% 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

December 31, 2010
INVOICE: 17147712

Mintz & Partners Limited
Our Matter: T958690
Receivership of Paragon Health Care Inc. t/a Casa Verde
Health Centre 3585 Keele Street, Toronto

PROFESSIONAL SERVICES

Date	Hours	Timekeeper	Description
06/12/2010	0.30	Cliff Prophet	Review and comment on claim delivered by Joyce Moran re personal injury;
13/12/2010	0.20	Harry R. VanderLugt	Review and forward for signing Authorization for search of building and other records.

Total Fees for Professional Services	<u>\$345.00</u>
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DISBURSEMENTS

Taxable Costs

Scanning Service	\$1.25
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Total Taxable Disbursements	<u>\$1.25</u>
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terms: due upon receipt
interest at the rate of 1.0% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

December 31, 2010
INVOICE: 17147712

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: \$391.26

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

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Brookfield Place
181 Bay Street, Suite 1400
Toronto ON M5J 2V1

December 8, 2010
INVOICE: 17126191

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	\$675.00
HST on Fees	87.75
Total Fees and Taxes	762.75

DISBURSEMENTS:

Disbursements (Taxable)	26.14
HST on Disbursements	3.40
Total Disbursements and Taxes	29.54

TOTAL INVOICE BALANCE:

Total for this Invoice	792.29
[Total HST: \$91.15]	
Please remit total invoice balance due:	In Canadian Dollars
	<u>\$792.29</u>

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
interest at the rate of 1.0% 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

December 8, 2010
INVOICE: 17126191

Mintz & Partners Limited
Our Matter: T958690
Receivership of Paragon Health Care Inc. t/a Casa Verde
Health Centre 3585 Keele Street, Toronto

PROFESSIONAL SERVICES

Date	Hours	Timekeeper	Description
27/10/2010	0.60	Harry R. VanderLugt	E-message purchaser's solicitor re funds and extending due diligence; e-message receiver; draft amending agreement; e-message and attendances with purchaser re receipt of funds
08/11/2010	0.40	Harry R. VanderLugt	E-message and telephone attendance with B. Bricks re arrangements and expense for environmental and building condition reports; deliver package of original agreement documents and copy to Jensen

Total Fees for Professional Services	<u>\$675.00</u>
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DISBURSEMENTS

Taxable Costs

Scanning Service	\$22.75
Long Distance Telephone	\$0.14
Courier	\$3.25
Total Taxable Disbursements	<u>\$26.14</u>

terms: due upon receipt
Interest at the rate of 1.0% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

December 8, 2010
INVOICE: 17126191

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: \$792.29

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



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Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Brookfield Place
181 Bay Street, Suite 1400
Toronto ON M5J 2V1

November 8, 2010
INVOICE: 17105689

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	\$6,547.50
HST on Fees	851.18
Total Fees and Taxes	7,398.68

DISBURSEMENTS:

Disbursements (Taxable)	76.50
HST on Disbursements	9.95
Total Disbursements and Taxes	86.45

TOTAL INVOICE BALANCE:

Total for this Invoice	7,485.13
[Total HST: \$861.13]	
Please remit total invoice balance due:	In Canadian Dollars
	<u>\$7,485.13</u>

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
Interest at the rate of 1.0% 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

November 8, 2010
INVOICE: 17105689

Mintz & Partners Limited
Our Matter: T958690
Receivership of Paragon Health Care Inc. t/a Casa Verde
Health Centre 3585 Keele Street, Toronto

PROFESSIONAL SERVICES

Date	Hours	Timekeeper	Description
04/10/2010	0.30	Harry R. VanderLugt	Telephone attendance with H.Bricks re remaining GEM purchase agreement matters;
05/10/2010	1.90	Harry R. VanderLugt	Update and review searches and draft schedule of interests in lands to include in agreement and vesting order; e-message H Bricks;
06/10/2010	0.30	Harry R. VanderLugt	E-messages GEM solicitors and H. Bricks re purchase agreement;
07/10/2010	0.20	Harry R. VanderLugt	Additional items for sale agreement;
08/10/2010	1.80	Harry R. VanderLugt	Tel confce receiver re final agreement points;
08/10/2010	0.70	Harry R. VanderLugt	Review agreement of purchase and sale issues and clean ups and review side letter with H. Bricks and D. Weisz;
12/10/2010	1.60	Harry R. VanderLugt	Make agreement revisions; revise side letter; e-message receiver;
12/10/2010	0.40	Harry R. VanderLugt	Final revisions to purchase agreement and forward with schedules to solicitor for final review;
13/10/2010	0.30	Harry R. VanderLugt	E-message from and to R. Miller re agreement schedules and matters;
18/10/2010	1.00	Harry R. VanderLugt	E-message purchaser solicitor; review search re instrument deletions schedule corrections and additions; review Coin-a-Matic title registration; telephone attendance with H.Bricks, revision and prep execution copies;
19/10/2010	0.50	Harry R. VanderLugt	E-message solicitor; agreement; letter to D&T Inc.;
20/10/2010	0.30	Harry R. VanderLugt	Further exchange of e-message re title registration items; deliver forms; e-message H. Bricks;
21/10/2010	0.40	Harry R. VanderLugt	Attendance to complete execution of documents and forward to purchaser for signing;

Total Fees for Professional Services

\$6,547.50

terms: due upon receipt
Interest at the rate of 1.0% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

November 8, 2010
INVOICE: 17105689

DISBURSEMENTS**Taxable Costs**

Courier	\$17.50
TeraView (Ontario) Online Searches & Registration - Taxable	\$59.00
Total Taxable Disbursements	<u>\$76.50</u>

terms: due upon receipt

Interest at the rate of 1.0% per annum will be charged on all amounts not paid within one month from the date of this Invoice

errors and omissions excluded

November 8, 2010
INVOICE: 17105689

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: \$7,485.13

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

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

October 8, 2010
INVOICE: 17085497

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	\$542.50
HST on Fees	70.53
Total Fees and Taxes	613.03

DISBURSEMENTS:

Disbursements (Taxable)	15.30
HST on Disbursements	1.99
Total Disbursements and Taxes	17.29

TOTAL INVOICE BALANCE:

Total for this Invoice	630.32
[Total HST: \$72.52]	
Please remit total invoice balance due:	In Canadian Dollars
	<u>\$630.32</u>

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
interest at the rate of 0.8% 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

October 8, 2010
INVOICE: 17085497

Mintz & Partners Limited
Our Matter: T958690
Receivership of Paragon Health Care Inc. t/a Casa Verde
Health Centre 3585 Keele Street, Toronto

PROFESSIONAL SERVICES

Date	Hours	Timekeeper	Description	
29/09/2010	0.10	Cliff Prophet	Call from D. LeFaive for Union re status of sale;	
29/09/2010	0.70	Harry R. VanderLugt	Telephone attendance with R. Miller re agreement terms and issues	
Total Fees for Professional Services				<u>\$542.50</u>

DISBURSEMENTS

Taxable Costs

Conference Call Expenses	<u>\$15.30</u>
Total Taxable Disbursements	<u>\$15.30</u>

terms: due upon receipt
interest at the rate of 0.8% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

October 8, 2010
INVOICE: 17085497

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: \$630.32

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

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

September 21, 2010
INVOICE: 17072055

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	\$13,325.00
HST on Fees	1,732.25
Total Fees and Taxes	15,057.25

DISBURSEMENTS:

Disbursements (Taxable)	31.26
HST on Disbursements	4.06
Total Disbursements and Taxes	35.32

TOTAL INVOICE BALANCE:

Total for this Invoice	15,092.57
[Total HST: \$1,736.31]	
Please remit total invoice balance due:	In Canadian Dollars <u>\$15,092.57</u>

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
interest at the rate of 0.8% 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 4

September 21, 2010
INVOICE: 17072055

Mintz & Partners Limited
Our Matter: T958690
Receivership of Paragon Health Care Inc. t/a Casa Verde
Health Centre 3585 Keele Street, Toronto

PROFESSIONAL SERVICES

Date	Hours	Timekeeper	Description
11/08/2010	2.00	Harry R. VanderLugt	Review purchaser agreement of purchase and sale changes
12/08/2010	1.50	Harry R. VanderLugt	Complete review of purchaser changes and issues in agreement of purchase and sale
12/08/2010	1.50	Harry R. VanderLugt	Tel confce with receiver re agreement of purchase and sale issues
12/08/2010	0.40	Harry R. VanderLugt	Telephone attendance with HB re balance of issues and how deal with purchaser re issues; voice message to purchaser solicitor
16/08/2010	0.10	Cliff Prophet	Brief conference with H. Vanderlugt re labour issues on sale to GEM;
18/08/2010	2.60	Harry R. VanderLugt	Prepare for tel confce with issue list and agreement review ; tel confce with solicitor and broker re agreement of purchase and sale issues;
19/08/2010	0.30	Harry R. VanderLugt	E-message from R.Miller re agreement of purchase and sale issues and HST filing; review issue and e-message H. Bricks
19/08/2010	0.30	Harry R. VanderLugt	Review HST and other issues for agreement
20/08/2010	0.50	Harry R. VanderLugt	Consider and outline issues for agreement of purchase and sale
23/08/2010	1.60	Harry R. VanderLugt	Draft revisions to agreement of purchase and sale
24/08/2010	0.60	Michael Bussmann	Considering purpose and consequences of entering into a section 167 election for HST;
27/08/2010	0.40	Michael Bussmann	Meeting with H. van der Lugt regarding HST and concerns with respect to s. 167 election;
27/08/2010	2.50	Harry R. VanderLugt	Review tax issues with M. Bussman; telephone attendance with purchaser solicitor re tax and related agreement provisions; draft revisions
01/09/2010	2.20	Harry R. VanderLugt	Draft revisions to GEM purchase agreement; telephone attendance with H. Bricks
02/09/2010	2.80	Harry R. VanderLugt	Draft approval order form and other items for agreement of purchase and sale;review and further revisions to complete draft of agreement; e-message H. Bricks
08/09/2010	0.40	Harry R. VanderLugt	F/U re agreement; review MOH sideletter

terms: due upon receipt
interest at the rate of 0.8% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

September 21, 2010
INVOICE: 17072055

Total Fees for Professional Services

\$13,325.00

DISBURSEMENTS

Taxable Costs

Copying	\$1.50
Scanning Service	\$5.75
Courier	\$14.75
Courier - FedEx	\$9.26

Total Taxable Disbursements

\$31.26

terms: due upon receipt

Interest at the rate of 0.8% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

September 21, 2010
INVOICE: 17072055

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: \$15,092.57

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

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

August 5, 2010
INVOICE: 17045130

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	\$3,870.00
GST on Fees	3.50
HST on Fees	494.00
Total Fees and Taxes	4,367.50

TOTAL INVOICE BALANCE:

Total for this Invoice	4,367.50
[Total GST: \$3.50 Total HST: \$494.00]	
Please remit total invoice balance due:	In Canadian Dollars <u>\$4,367.50</u>

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
Interest at the rate of 0.8% 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, 2010
INVOICE: 17045130

Our Matter: T958690
Mintz & Partners Limited
Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto

PROFESSIONAL SERVICES

Date	Hours	Timekeeper	Description
30/06/2010	0.10	Cliff Prophet	Review of settlement documents re Palermo;
06/07/2010	0.20	Cliff Prophet	Call from H. Bricks re services agreement with LHIN;
07/07/2010	0.30	Cliff Prophet	Review of acknowledgment form prepared by Ministry re status of receiver;
12/07/2010	1.50	Cliff Prophet	Negotiations with N. Shapiro to settle Palermo claim; preparation of settlement documents;
14/07/2010	0.40	Cliff Prophet	Correspondence re settlement with M. Palermo; brief conversation re GEM agreement of purchase and sale;
15/07/2010	0.30	Cliff Prophet	Further calls re Palermo settlement;
16/07/2010	0.40	Cliff Prophet	Discussion with H. Bricks re GEM offer and Palermo;
16/07/2010	1.20	Harry R. VanderLugt	Review draft agreement of purchase and sale with GEM
20/07/2010	0.80	Harry R. VanderLugt	Complete draft agreement of purchase and sale review and forward to J. Jensen
22/07/2010	0.40	Cliff Prophet	Closing M. Palermo settlement;

Total Fees for Professional Services

\$3,870.00

August 5, 2010
INVOICE: 17045130

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: \$4,367.50

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 transfer, please fax a copy of the remittance to (416)862-7661, attention: Accounts Receivable



montréal • ottawa • toronto • hamilton • waterloo region • calgary • vancouver • moscow • london

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

June 30, 2010
INVOICE: 17029162

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	\$2,800.00
GST on Fees	140.00
Total Fees and Taxes	2,940.00

TOTAL INVOICE BALANCE:

Total for this Invoice	2,940.00
[Total GST: \$140.00]	
Please remit total invoice balance due:	In Canadian Dollars
	<u>\$2,940.00</u>

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
interest at the rate of 0.5% 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 30, 2010
INVOICE: 17029162

Our Matter: T958690
Mintz & Partners Limited
Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto

PROFESSIONAL SERVICES

Date	Hours	Timekeeper	Description
22/04/2010	0.30	Cliff Prophet	Consulting with H. Bricks re termination issue;
04/05/2010	2.30	Cliff Prophet	Prepare offer letter to N. Shapiro re termination of Palermo;
10/05/2010	0.20	Cliff Prophet	Letter to N. Shapiro;
07/06/2010	0.80	Cliff Prophet	Instructions from H. Bricks re settlement of Palermo wrongful dismissal case; call with N. Shapiro;
14/06/2010	0.40	Cliff Prophet	Negotiating with N. Shapiro and taking instructions re termination of Palermo;

Total Fees for Professional Services

\$2,800.00

terms: due upon receipt

interest at the rate of 0.5% per annum will be charged on all amounts not paid within one month from the date of this Invoice

errors and omissions excluded

June 30, 2010
INVOICE: 17029162

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: \$2,940.00

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 transfer, please fax a copy of the remittance to (416)862-7661, attention: Accounts Receivable

1 First Canadian Place
Suite 1600, 100 King St. W.
Toronto, Ontario
Canada M5X 1G5
Tel: (416) 862-7525
Fax: (416) 862-7661
www.gowlings.com

121969

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

Our Matter: T958690
Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street, Toronto

TO OUR FEE:

11/11/2009	Meet with H. Vanderlugt re disclosure to purchaser re union agreements; Cliff Prophet	0.20
12/11/2009	Discussion with H. Vanderlugt re licencing issues and re disclosure of benefit plans; Cliff Prophet	0.30
17/11/2009	Call from H. Bricks re distribution; Cliff Prophet	0.10
23/11/2009	Discussion with H. Vanderlugt re foreclosure on second mortgage; instructions to F. Lamie re distribution of surplus assets; Cliff Prophet	0.30
24/11/2009	Further instruction to F. Lamie re distribution motion; Cliff Prophet	0.10
11/12/2009	Review draft receiver's report and issues re Lantana Ct property and foreclosure ; review with C.Prophet Harry R. VanderLugt	0.40
11/12/2009	Review and revise receiver's report re distribution motion; instructions to F. Lamie; Cliff Prophet	1.80

AMOUNTS ARE STATED IN CANADIAN DOLLARS UNLESS OTHERWISE
INDICATED

PER
Harry R. VanderLugt

TERMS: DUE UPON RECEIPT
INTEREST AT THE RATE OF 0.5 % PER ANNUM
WILL BE CHARGED ON ALL AMOUNTS NOT PAID WITHIN
ONE MONTH FROM THE DATE OF THIS INVOICE.

Goods & Services Tax
Registration Number
11936 4511 RT

DATE Dec 31, 2009

ERRORS AND OMISSIONS EXCLUDED

Montreal Ottawa Toronto Hamilton Waterloo Region Calgary Vancouver Moscow

121969

DATE PAGE
Dec 31, 2009 2

13/12/2009	Review and comment on revised report Harry R. VanderLugt	0.30
14/12/2009	Attendances re information for report and affidavits Harry R. VanderLugt	0.30
15/12/2009	Correspondence to C. Prophet and C. Clarizia; attendance to revisions to motion materials; correspondence to R. Dalugdog; instructions to P. Jordan; attendance to correspondence with C. Prophet; attendance to meeting with and instructions from C. Prophet; attendance to review and revise affidavit of H. Vanderlugt; Frank D. Lamie	2.90
15/12/2009	Instructions re service; Cliff Prophet	0.30
16/12/2009	Instructions from C. Prophet regarding requisition; attendance to review fifth report; phone call with H. bricks regarding revision to fifth report and revisions to various appendices; review and revise draft order; attendance to revise various appendices to fifth report; attendance to review and review notice of motion, draft order, motion record and fifth report and all appendices; attendance to redactions; attendance to revisions; meeting with H. Vanderlugt regarding affidavit, review and commission affidavit of exhibits; Frank D. Lamie	6.90
16/12/2009	Instructions to F. Lamie re preparation of balance of motion materials; Cliff Prophet	0.40
16/12/2009	Complete affidavit and final matters for court filing Harry R. VanderLugt	0.30
17/12/2009	Draft letter to service list; correspondence to service list; correspondence to H. Bricks, C. Prophet and H. Vanderlugt;; instructions to P. Jordan; instructions to C. Clarizia; attendance to complete and finalize motion materials; correspondence with D. LeFaive delivering fifth report; blackline to H. Bricks and C. Prophet; service and filing instructions to C. Clarizia; correspondence to H. Bricks and C. Prophet; Frank D. Lamie	3.10
22/12/2009	Attendance at Court regarding Judgment; meeting with Registrar Fenson; attendance to review motion materials and revise draft Order; correspondence to H. Bricks; meeting with C. Prophet; Frank D. Lamie	4.50
23/12/2009	Preparation for and attend in Court on distribution motion; Cliff Prophet	1.30

AMOUNTS ARE STATED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

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Moscow



121969

DATE PAGE
Dec 31, 2009 3

Fees for Professional Services \$9,860.00

Matter Summary

Fees for Professional Services	9,860.00	
Goods and Services Tax on Fees	493.00	
Total Fees and Taxes		10,353.00

Total Invoice Balance..... \$ 10,353.00

PLEASE REMIT TOTAL INVOICE BALANCE DUE..... \$ 10,353.00

AMOUNTS ARE STATED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

ERRORS AND OMISSIONS EXCLUDED

Invoice Remittance Copy

Please REMIT TO:

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

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON Canada
M3C 4G4

Client: 121969

Invoice NumberInvoice DateAmount Due

16902047

Dec 31, 2009

\$10,353.00

T958690

Receivership of Paragon Health Care Inc. t/a Casa Verde Health Centre 3585 Keele Street,
Toronto

For Payment by wire transfer, our banking information is as follows:
For Clients paying worldwide: Pay by SWIFT MT 103 Direct to: BIC: CIBCCATT

Account with institution: Canadian Imperial Bank of Commerce Transit: 00002
Main Branch, Commerce Court, Toronto, Ontario M5L 1G9

Beneficiary Customer: Gowling Lafleur Henderson LLP
38-51311 CDN Account or 03-54112 US

For Clients paying in USD from the United States, pay by FEDWIRE to: Bank of America, New York
BIC: BOFAUS3N
ABA: 026009593

IBAN (European Clients): CC001000002

IBK Intermediary Bank: CIBCCATT (or) CIBC Toronto
Account number: 6550 8 26157

BBK Beneficiary's Bank: Canadian Imperial Bank of Commerce Transit: 00002
Main Branch, Commerce Court, Toronto, Ontario M5L 1G9

BNF Beneficiary: Gowling Lafleur Henderson LLP
03-54112 US Account

If paying by wire transfer, please fax a copy of the remittance to 416-862-7661 Attention: Accounts Receivable

AMOUNTS ARE STATED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

ERRORS AND OMISSIONS EXCLUDED

Montreal

Ottawa

Toronto

Hamilton

Waterloo
Region

Calgary

Vancouver

Moscow

THIS IS EXHIBIT "B" TO THE
AFFIDAVIT OF HARRY R.
VANDERLUGT SWORN BEFORE
ME THIS 14TH DAY OF FEBRUARY,
2011.



A Commissioner, etc.

Exhibit "B"

LEGAL COSTS SUMMARY
Receivership of 1508669 Ontario Limited

LAWYER	YEAR OF CALL	HOURLY RATE 2009	HOURLY RATE 2010
Robin Walker	1968	N/A	\$700.00
Harry VanderLugt	1972	\$650.00	\$650.00
Allen Craig	1980	N/A	\$675.00
Clifton Prophet	1993	\$625.00	\$700.00
Christine Marchetti	2006	\$330.00	\$370.00
Lisa MacDonnell	2010	\$210.00	\$320.00
Michael Lay	Law Clerk	\$235.00	N/A
Debra Meddings	Legal Administrative Assistant	\$50.00	\$50.00
Robin Walker	1968	N/A	\$700.00
Harry VanderLugt	1972	\$650.00	\$650.00
Allen Craig	1980	N/A	\$675.00

SUMMARY OF ACCOUNTS					
No.	Date of Account	Fees	Disbursements	GST / HST	Total
1.	December 31, 2010	\$1,620.00	\$0.00	\$210.60	\$1,830.60
2.	October 8, 2010	\$410.00	\$0.00	\$53.30	\$463.30
3.	August 5, 2010	\$980.00	\$0.00	\$49.00	\$1,029.00
4.	June 30, 2010	\$540.00	\$0.00	\$27.00	\$567.00

SUMMARY OF ACCOUNTS					
No.	Date of Account	Fees	Disbursements	GST / HST	Total
5.	May 6, 2010	\$5,317.50	\$2.75	\$266.02	\$5,586.27
6.	February 4, 2010	\$1,172.50	\$158.50	\$60.21	\$1,391.21
7.	December 31, 2009	\$6,485.00	\$1,263.75	\$387.44	\$8,136.19
TOTAL		\$16,525.00	\$1,425.00	\$1,053.57	\$19,003.57
Average Hourly Rate – Before GST		Total fees before GST \$16,525.00 ÷ Total hours of 32.4 = \$510.03			
TOTAL		\$19,003.57			

TOR_LAW\7585620\2



montreal · ottawa · toronto · hamilton · waterloo region · calgary · vancouver · moscow · london

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Brookfield Place, 181 Bay St.
Suite 1400
Toronto ON M5J 2V1

December 31, 2010
INVOICE: 17147736

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	\$1,620.00
HST on Fees	210.60
Total Fees and Taxes	1,830.60

TOTAL INVOICE BALANCE:

Total for this Invoice	1,830.60
[Total HST: \$210.60]	
Please remit total invoice balance due:	In Canadian Dollars
	<u>\$1,830.60</u>

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
interest at the rate of 1.0% 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

December 31, 2010
INVOICE: 17147736

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
08/11/2010	0.40	Harry R. VanderLugt	Telephone attendance with H Bricks re MCAP transfer value questionnaire; review basis for calculation of land transfer tax ; e-message H. bricks
22/12/2010	2.00	Harry R. VanderLugt	Southbridge--review LOI, consider issues and forward revisions

Total Fees for Professional Services

\$1,620.00

terms: due upon receipt
interest at the rate of 1.0% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded

December 31, 2010
INVOICE: 17147736

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: \$1,830.60

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

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

October 8, 2010
INVOICE: 17085498

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	\$410.00
HST on Fees	53.30
Total Fees and Taxes	463.30

TOTAL INVOICE BALANCE:

Total for this Invoice	463.30
[Total HST: \$53.30]	
Please remit total invoice balance due:	In Canadian Dollars
	<u>\$463.30</u>

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
interest at the rate of 0.8% 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 8, 2010
INVOICE: 17085498

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
08/09/2010	0.40	Harry R. VanderLugt	LOI from Freidman group
29/09/2010	0.20	Cliff Prophet	Call from H. Bricks re funding issues for operations;

Total Fees for Professional Services	<u>\$410.00</u>
---	------------------------

October 8, 2010
INVOICE: 17085498

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: \$463.30

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

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

August 5, 2010
INVOICE: 17045131

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	\$980.00
GST on Fees	49.00
Total Fees and Taxes	1,029.00

TOTAL INVOICE BALANCE:

Total for this Invoice	1,029.00
[Total GST: \$49.00]	
Please remit total invoice balance due:	In Canadian Dollars
	<u>\$1,029.00</u>

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
interest at the rate of 0.8% 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

August 5, 2010
INVOICE: 17045131

Our Matter: T958691
Mintz & Partners Limited
Receivership of 1508669 Ontario Limited t/a West Park Health Centre 103-111 Pelham Road, St. Catharines

PROFESSIONAL SERVICES

Date	Hours	Timekeeper	Description
29/06/2010	0.60	Cliff Prophet	Review of services agreement for West Park with local authority;
30/06/2010	0.80	Cliff Prophet	Call with H. Bricks re services agreement with local authority;

Total Fees for Professional Services	<u>\$980.00</u>
---	------------------------

terms: due upon receipt
interest at the rate of 0.8% 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, 2010
INVOICE: 17045131

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: \$1,029.00

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 transfer, please fax a copy of the remittance to (416)862-7661, attention: Accounts Receivable

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

June 30, 2010
INVOICE: 17029163

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	\$540.00
GST on Fees	27.00
Total Fees and Taxes	567.00

TOTAL INVOICE BALANCE:

Total for this Invoice	567.00
[Total GST: \$27.00]	
Please remit total invoice balance due:	In Canadian Dollars
	<u>567.00</u>

GOWLING LAFLEUR HENDERSON LLP

PER

Harry R. VanderLugt

terms: due upon receipt
interest at the rate of 0.5% 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

June 30, 2010
INVOICE: 17029163

Our Matter: T958691
Mintz & Partners Limited
Receivership of 1508669 Ontario Limited t/a West Park Health Centre 103-111 Pelham Road, St. Catharines

PROFESSIONAL SERVICES

Date	Hours	Timekeeper	Description
29/06/2010	0.80	Harry R. VanderLugt	Review proposed LHIN agreement and consider indemnity and other issues, replacement of MOHLT agreement and changes to and management agreement with C. Prophet

Total Fees for Professional Services	<u>\$540.00</u>
---	------------------------

June 30, 2010
INVOICE: 17029163

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: \$567.00

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 transfer, please fax a copy of the remittance to (416)862-7661, attention: Accounts Receivable

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

May 6, 2010
INVOICE: 16979895

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	\$5,317.50
GST on Fees	265.88
Total Fees and Taxes	5,583.38

DISBURSEMENTS:

Disbursements (Taxable)	2.75
GST on Disbursements	0.14
Total Disbursements and Taxes	2.89

TOTAL INVOICE BALANCE:

Total for this Invoice	5,586.27
[Total GST: \$266.02]	
Please remit total invoice balance due:	In Canadian Dollars
	<u>\$5,586.27</u>

GOWLING LAFLEUR HENDERSON LLP

PER _____
Harry R. VanderLugt

terms: due upon receipt
Interest at the rate of 0.5% per annum will be charged on all amounts not paid within one month from the date of this invoice

errors and omissions excluded
GST: 11936 4511 RT

May 6, 2010
INVOICE: 16979895

Our Matter: T958691
Mintz & Partners Limited
Receivership of 1508669 Ontario Limited t/a West Park Health Centre 103-111 Pelham Road, St. Catharines

PROFESSIONAL SERVICES

Date	Hours	Timekeeper	Description	
03/03/2010	1.00	Heath Whiteley	Review motion materials and prepare for motion of CIBC Mortgages;	
08/04/2010	6.50	Heath Whiteley	Attend contempt motion of S. Sanoubane; discussion with R. Aisenberg re status of sale of property;	
23/04/2010	0.90	Cliff Prophet	Further consultation re termination and requests for notice by former employee;	
Total Fees for Professional Services				<u>\$5,317.50</u>

DISBURSEMENTS

Taxable Costs

Binding	\$2.75
Total Taxable Disbursements	<u>\$2.75</u>

May 6, 2010
INVOICE: 16979895

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: \$5,586.27

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 transfer, please fax a copy of the remittance to (416)862-7661, attention: Accounts Receivable

1 First Canadian Place
Suite 1600, 100 King St. W.
Toronto, Ontario
Canada M5X 1G5
Tel: (416) 862-7525
Fax: (416) 862-7661
www.gowlings.com

121969

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

Our Matter: T958691

Receivership of 1508669 Ontario Limited t/a West Park Health Centre 103-111 Pelham Road, St. Catharines

TO OUR FEE:

07/01/2010	Call with H. Bricks and D. Weisz; discussion with H. Vanderlugt re effect of foreclosure on terms of appointment order (should debtor name be changed); Cliff Prophet	1.00
07/01/2010	Telephone attendance with D. Weisz and H. Bricks x2 re insurance endorsements and re any change in court order because of foreclosure Harry R. VanderLugt	0.40
15/01/2010	Review and consider sufficiency of insurance endorsements; e-message H. Bricks Harry R. VanderLugt	0.30

Fees for Professional Services

\$1,172.50

DisbursementsNON-TAXABLE COSTS

23/12/2009	Court Filing Fees - Non Taxable VENDOR: Reliable Process Servers Inc.; INVOICE#: 40690; DATE: 12/23/2009 - T958691: Court Filing Fee = Clifton Prophet	\$127.00
TOTAL Non-Taxable Disbursements		\$127.00

AMOUNTS ARE STATED IN CANADIAN DOLLARS UNLESS OTHERWISE
INDICATED

PER _____
Harry R. VanderLugt

DATE Feb 4, 2010

TERMS: DUE UPON RECEIPT
INTEREST AT THE RATE OF 0.5 % PER ANNUM
WILL BE CHARGED ON ALL AMOUNTS NOT PAID WITHIN
ONE MONTH FROM THE DATE OF THIS INVOICE.

Goods & Services Tax
Registration Number
11936 4511 RT

ERRORS AND OMISSIONS EXCLUDED

Montreal

Ottawa

Toronto

Hamilton

Waterloo
Region

Calgary

Vancouver

Moscow

121969

DATE PAGE
Feb 4, 2010 2TAXABLE COSTSScanning Service
23/12/2009

Process Servers

\$3.50

\$28.00

VENDOR: Reliable Process Servers Inc.; INVOICE#: 40690; DATE: 12/23/2009 -
T958691: Commercial Court Filing Motion Record = Clifton Prophet

TOTAL Taxable Disbursements

\$31.50

Matter Summary

Fees for Professional Services

1,172.50

Goods and Services Tax on Fees

58.63

Total Fees and Taxes

1,231.13

Disbursements for Professional Services

158.50

Goods and Services Tax on Disbursements

1.58

Total Disbursements and Taxes

160.08

Total Invoice Balance..... \$ 1,391.21

PLEASE REMIT TOTAL INVOICE BALANCE DUE..... \$ 1,391.21

AMOUNTS ARE STATED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

ERRORS AND OMISSIONS EXCLUDED

Montreal

Ottawa

Toronto

Hamilton

Waterloo
Region

Calgary

Vancouver

Moscow

Invoice Remittance Copy

Please REMIT TO:

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

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON Canada
M3C 4G4

Client: 121969

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Amount Due</u>
16923045	Feb 4, 2010	\$1,391.21
T958691	Receivership of 1508669 Ontario Limited t/a West Park Health Centre 103-111 Pelham Road, St. Catharines	

For Payment by wire transfer, our banking information is as follows:
For Clients paying worldwide: Pay by SWIFT MT 103 Direct to: BIC: CIBCCATT

Account with institution: Canadian Imperial Bank of Commerce Transit: 00002
Main Branch, Commerce Court, Toronto, Ontario M5L 1G9

Beneficiary Customer: Gowling Lafleur Henderson LLP
38-51311 CDN Account or 03-54112 US

For Clients paying in USD from the United States, pay by FEDWIRE to: Bank of America, New York
BIC: BOFAUS3N
ABA: 026009593

IBAN (European Clients): CC001000002

IBK Intermediary Bank: CIBCCATT (or) CIBC Toronto
Account number: 6550 8 26157

BBK Beneficiary's Bank: Canadian Imperial Bank of Commerce Transit: 00002
Main Branch, Commerce Court, Toronto, Ontario M5L 1G9

BNF Beneficiary: Gowling Lafleur Henderson LLP
03-54112 US Account

If paying by wire transfer, please fax a copy of the remittance to 416-862-7661 Attention: Accounts Receivable

AMOUNTS ARE STATED IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED

ERRORS AND OMISSIONS EXCLUDED

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Ottawa

Toronto

Hamilton

Waterloo
Region

Calgary

Vancouver

Moscow

1 First Canadian Place
Suite 1600, 100 King St. W.
Toronto, Ontario
Canada M5X 1G5
Tel: (416) 862-7525
Fax: (416) 862-7661
www.gowlings.com

121969

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON M3C 4G4
Canada

Our Matter: T958691

Receivership of 1508669 Ontario Limited t/a West Park Health Centre 103-111 Pelham Road, St. Catharines

TO OUR FEE:

18/09/2009	Telephone attendance with H. Bricks re foreclosure status, timing and process; e-messages to report Harry R. VanderLugt	0.20
29/10/2009	Discussion with H. Vanderlugt re next steps on foreclosure of second mortgage; Cliff Prophet	0.30
12/11/2009	Discussion with H. Vanderlugt re effect on receiver of foreclosing on second mortgage; Cliff Prophet	0.30
23/11/2009	Meeting with C. Prophet; attendance to assemble and review relevant motion materials; meeting with and instructions from C. Prophet regarding motion seeking distribution and passing of accounts; Frank D. Lamie	0.30
01/12/2009	Conversation with H. Vanderlugt re forclosure on second mortgage; Cliff Prophet	0.30
02/12/2009	Conducted search of wrongful dismissal database to determine appropriate notice period for employee to be dismissed; reviewed cases referenced in report generated by search to confirm applicability to the case at hand; drafted e-mail report with recommendations for client to C. Prophet; Graham J. Walsh	1.10

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INDICATEDPER
Harry R. VanderLugt

DATE Dec 31, 2009

TERMS: DUE UPON RECEIPT

INTEREST AT THE RATE OF 0.5 % PER ANNUM
WILL BE CHARGED ON ALL AMOUNTS NOT PAID WITHIN
ONE MONTH FROM THE DATE OF THIS INVOICE.Goods & Services Tax
Registration Number
11936 4511 RT

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DATE PAGE
Dec 31, 2009 2

02/12/2009	Contact client in preparation for motion to distribute funds; Cliff Prophet	0.20
11/12/2009	Attendance to meeting with and instructions from C. Prophet; instructions to C. Clarizia; phone call with D. LeFaive; execute motion request form; instructions to D. Noble; Frank D. Lamie	0.70
11/12/2009	Attendance to review draft report and distribution orders granted to date; attendance to review motion record; phone call with C. Prophet; Frank D. Lamie	2.40
11/12/2009	Review and revise Receiver's Fifth report; e-mail to H. Bricks; Cliff Prophet	1.20
14/12/2009	Attendance to meeting with and instructions from C. Prophet regarding assigned mortgage; phone call with H. Vanderlugt; correspondence and instructions to C. Clarizia; attendance to draft affidavit of H. Vanderlugt; attendance to draft costs summaries for paragon and 1508669 receiverships; attendance to review and redact invoices as appropriate; attendance to draft affidavit of H. Bricks; attendance to draft notice of motion; draft distribution order; meeting with H. Vanderlugt; attendance to review revised fifth report; review assigned mortgage and relevant instrument number; phone call with H. Vanderlugt; phone call with and instructions to R. Dalugdog; correspondence with R. Dalugdog; attendance to various fee calculations; Frank D. Lamie	5.50
18/12/2009	Attendance to phone call with H. Bricks; Frank D. Lamie	0.10
21/12/2009	Meeting with and instructions from C. Prophet; instructions to D. Noble; attendance to review requisition for Judgment, Judgment, affidavit of H. Vanderlugt, affidavit of service; attendance at Court to arrange expedited appointment with Registrar of the Court; instructions to D. Noble; meeting with and instructions from H. Vanderlugt; Frank D. Lamie	1.70
23/12/2009	Preparation for attendance in Court; meeting with C. Prophet; brief meeting with H. Bricks; attendance in Court; Frank D. Lamie	2.80

Fees for Professional Services

\$6,485.00

DisbursementsTAXABLE COSTS

Copying	\$1,188.00
Scanning Service	\$15.75
Courier	\$60.00

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Dec 31, 2009 3

TOTAL Taxable Disbursements \$1,263.75

Matter Summary

Fees for Professional Services	6,485.00	
Goods and Services Tax on Fees	324.25	
Total Fees and Taxes		6,809.25
Disbursements for Professional Services	1,263.75	
Goods and Services Tax on Disbursements	63.19	
Total Disbursements and Taxes		1,326.94
Total Invoice Balance.....	\$	8,136.19
PLEASE REMIT TOTAL INVOICE BALANCE DUE.....	\$	8,136.19

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ERRORS AND OMISSIONS EXCLUDED



Gowling Lafleur Henderson LLP | Barristers & Solicitors | Patent & Trade-Mark Agents |

323
1 First Canadian Place
Suite 1600, 100 King St.
W.
Toronto, Ontario
Canada M5X 1G5
Tel: (416) 862-7525
Fax: (416) 862-7661
www.gowlings.com

Invoice Remittance Copy

Please REMIT TO:

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

Deloitte & Touche Inc.
ATTN: Daniel Weisz
Senior Vice President
Suite 200, 1 Concorde Gate
Toronto, ON Canada
M3C 4G4

Client: 121969

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Amount Due</u>
16902048	Dec 31, 2009	\$8,136.19
T958691	Receivership of 1508669 Ontario Limited t/a West Park Health Centre 103-111 Pelham Road, St. Catharines	

For Payment by wire transfer, our banking information is as follows:
For Clients paying worldwide: Pay by SWIFT MT 103 Direct to: BIC: CIBCCATT

Account with institution: Canadian Imperial Bank of Commerce Transit: 00002
Main Branch, Commerce Court, Toronto, Ontario M5L 1G9

Beneficiary Customer: Gowling Lafleur Henderson LLP
38-51311 CDN Account or 03-54112 US

For Clients paying in USD from the United States, pay by FEDWIRE to: Bank of America, New York
BIC: BOFAUS3N
ABA: 026009593

IBAN (European Clients): CC001000002

IBK Intermediary Bank: CIBCCATT (or) CIBC Toronto
Account number: 6550 8 26157

BBK Beneficiary's Bank: Canadian Imperial Bank of Commerce Transit: 00002
Main Branch, Commerce Court, Toronto, Ontario M5L 1G9

BNF Beneficiary: Gowling Lafleur Henderson LLP
03-54112 US Account

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Montreal Ottawa Toronto Hamilton Waterloo
Region Calgary Vancouver Moscow

PEOPLES TRUST COMPANY

- and -

PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED

ONTARIO
SUPERIOR COURT OF JUSTICE
(PROCEEDING COMMENCED AT TORONTO)

AFFIDAVIT OF HARRY R. VANDERLUGT
(Sworn February 14, 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) 369-7525
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

<p>PEOPLES TRUST COMPANY</p>	<p>- and -</p>	<p>Court File No.: 06-CL-6233</p> <p>PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED</p>			
<table><tr><td><p>ONTARIO</p><p>SUPERIOR COURT OF JUSTICE</p><p>(PROCEEDING COMMENCED AT TORONTO)</p></td><td><p>NOTICE OF MOTION</p></td><td><p>Gowling Lafleur Henderson LLP Barristers and Solicitors 1 First Canadian Place 100 King Street West, Suite 1600 TORONTO, Ontario M5X 1G5</p><p>Clifton P. Prophet / Frank Lamie LSUC No.: 34345K / 54035S</p><p>Telephone: (416) 862-7525 Facsimile: (416) 862-7661</p><p>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</p></td></tr></table>			<p>ONTARIO</p> <p>SUPERIOR COURT OF JUSTICE</p> <p>(PROCEEDING COMMENCED AT TORONTO)</p>	<p>NOTICE OF MOTION</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>Clifton P. Prophet / Frank Lamie LSUC No.: 34345K / 54035S</p> <p>Telephone: (416) 862-7525 Facsimile: (416) 862-7661</p> <p>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</p>
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PEOPLES TRUST COMPANY	<p style="text-align: center;">Court File No.: 06-CL-6233</p> <p style="text-align: center;">- and -</p> <p style="text-align: center;">PARAGON HEALTH CARE INC. and 1508669 ONTARIO LIMITED</p>
	<p style="text-align: center;">ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST</p> <p style="text-align: center;">(PROCEEDING COMMENCED AT TORONTO)</p>
	<p style="text-align: center;">MOTION RECORD (Returnable February 22, 2011)</p>
	<p>GOWLING LAFLEUR HENDERSON LLP Barristers and Solicitors Suite 1600, 1 First Canadian Place 100 King Street West Toronto, Ontario M5X 1G5</p> <p>Clifton P. Prophet (LSUC No.: 34845K) Frank Lamie (LSUC No. 54035S)</p> <p>Telephone: (416) 862-7525 Facsimile: (416) 862-7661</p> <p>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</p>