

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR. ) TUESDAY, THE 20<sup>TH</sup>  
)  
JUSTICE MORAWETZ ) DAY OF MAY, 2008



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

**AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF COTTON GINNY INC.,  
CG OPERATIONS (H/O) LIMITED, CG OPERATIONS I LIMITED,  
CG OPERATIONS II LIMITED**

**ORDER**

**(Plan Filing and Meeting)**

**THIS MOTION** made by Cotton Ginny Inc. ("**CG Inc.**"), CG Operations (HO) Limited ("**HO**"), CG Operations I Limited and CG Operations II Limited (together, the "**Applicants**") seeking the relief set out in the Notice of Motion dated May 14, 2008 was heard this day at 330 University Avenue, Toronto, Ontario;

**ON READING** the Notice of Motion and the Motion Record, including the affidavit of Tony Chahine sworn May 14, 2008, and the Ninth Report of Mintz & Partners Limited in its

capacity as monitor of the Applicant (the “**Monitor**”) dated May 15, 2008, and on hearing the submissions of counsel for the Applicants, the Monitor and the other parties represented;

### **Service**

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record in respect of this Motion be and it is hereby abridged and that the service of the Notice of Motion and Motion Record herein as effected by the Applicants is hereby validated in all respects.

### **Plan of Compromise or Arrangement**

2. **THIS COURT ORDERS** that the plan of compromise and arrangement in respect of CG Inc. and HO (“**Cotton Ginny**”) in the form attached as **Schedule “A”** hereto (the “**Plan**”), is hereby accepted for filing, and Cotton Ginny shall seek acceptance and sanctioning of the Plan in the manner set forth herein.

3. **THIS COURT ORDERS** that, except where otherwise defined, defined terms in this Order have the meaning assigned in the Plan.

### **The Meeting of Creditors**

4. **THIS COURT ORDERS** that Cotton Ginny is hereby authorized to call, hold and conduct a meeting of Affected Creditors for the purpose of considering, and if deemed advisable, passing, with or without variation, a resolution to approve the Plan (the “**Meeting**”).

5. **THIS COURT ORDERS** that the Meeting shall be held on May 30, 2008, 2008 at 10:00 a.m. (Toronto Time) at Suite 1600, First Canadian Place, 100 King Street West in Toronto, Ontario (the “**Meeting Date**”) and Cotton Ginny is hereby authorized to adjourn the Meeting to such time and place as it deems necessary or desirable.

6. **THIS COURT ORDERS** that Cotton Ginny be and is hereby authorized to modify, amend or supplement the Plan by way of a supplementary or amended plan or plans of compromise or arrangement at any time or from time to time prior to the Meeting Date or at the Meeting, in which case any such supplementary or amended plan or plans of compromise or

arrangement shall, for all purposes, be and are deemed to be a part of and incorporated into the Plan.

7. **THIS COURT ORDERS** that a representative of the Monitor shall preside as the chairperson of the Meeting (the “**Chair**”) and shall decide all matters relating to the rules and procedures at, and the conduct of, the Meeting.

8. **THIS COURT ORDERS** that, for purposes of voting to approve the Plan, there shall be one class of Affected Creditors as set forth in the Plan.

9. **THIS COURT ORDERS** that Affected Creditors shall be entitled to attend and vote at the Meeting in person, by proxy, or by voting letter.

10. **THIS COURT ORDERS** that the Chair be and is hereby authorized to accept and rely upon proxies and voting letters in such form as are acceptable to the Chair.

11. **THIS COURT ORDERS** that the only persons entitled to attend the Meeting are: (a) the Affected Creditors, including proxy holders and their officers, directors, legal counsel; and (b) the Monitor, Cotton Ginny and their officers, directors and legal counsel.

12. **THIS COURT ORDERS** that the quorum required at the Meeting shall be any one Affected Creditor present in person, by voting letter or by proxy.

13. **THIS COURT ORDERS** that the Chair may direct a vote with respect to a resolution to approve the Plan and containing such other related provisions as the Applicant may consider appropriate.

14. **THIS COURT ORDERS** that the quantum of the claim that each Affected Creditor is entitled to vote at the Meeting shall be as established in accordance with the Claims Procedure Order and this Order.

15. **THIS COURT ORDERS** that notwithstanding the provisions of the Claims Procedure Order, any Affected Creditor who has filed a proof of claim with the Monitor by May 15, 2008 (“**Late Claims**”) shall be accepted for filing; and:

- (a) The Monitor shall review all Late Claims and by no later than May 28, 2008, have notified each Affected Creditor who has filed a Late Claim whether it has revised or rejected that Affected Creditor's Late Claim, and the reasons therefore, by sending a Notice of Revision or Disallowance substantially in the form prescribed by the Claims Procedure Order;
- (b) Any Affected Creditor who intends to dispute a Notice of Revision or Disallowance delivered in respect of a Late Claim shall serve a Notice of Motion on the Monitor seeking to appeal the Monitor's determination, which motion shall be returnable for scheduling on June 3, 2008;
- (c) Where an Affected Creditor that receives a Notice of Revision or Disallowance in respect of the Late Claim does not serve a Notice of Motion by the date required, the value of such Affected Creditor's Claim shall be deemed to be as set out in the Notice of Revision or Disallowance; and
- (d) If a Notice of Revision or Disallowance is not delivered, the Late Claim shall be deemed to have been allowed as filed.

16. **THIS COURT ORDERS** that, subject to further Order of the Court, where the Claim of an Affected Creditor has not become a Proven Claim by the Meeting Date, that Affected Creditor's Claim, for the purpose of voting on the Plan only, shall be the greater of (a) the Claim set out in the proof of claim filed by that Affected Creditor; and (b) the amount owing to that Affected Creditor as set out in the Applicant's books and records.

17. **THIS COURT ORDERS** that, following any vote on the Plan at the Meeting, the Chair shall tally the vote and determine whether the Plan has been accepted by the majority required by section 6 of the *Companies' Creditors Arrangement Act* (Canada).

18. **THIS COURT ORDERS** that if the Plan is accepted by the required majority of Affected Creditors, Cotton Ginny shall bring a Motion seeking an order sanctioning the Plan on June 3, 2008, or such later date as the Court may order.

19. **THIS COURT ORDERS** that on or before May 23, 2008, the Monitor shall send by pre-paid post to each Affected Creditor who has filed a proof of claim to the address set forth on the proof of claim filed by that Affected Creditor: (a) a copy of this Order (without attachments); (b) a copy of the Plan; (c) a summary of the Plan substantially in the form attached as **Schedule "B"**; (d) a form of proxy and voting letter substantially in the forms attached as **Schedule "C"**; and (e) a report prepared by the Monitor with respect to the Plan, which report shall describe the Plan and include the Monitor's recommendation with respect to the acceptance of the Plan.

#### **Further and Other Orders**

20. **THIS COURT ORDERS** that Cotton Ginny or the Monitor may, from time to time, apply to this Court for directions in the discharge of their powers and duties hereunder or in respect of the proper execution of this Order.

#### **Stay Extension**

21. **THIS COURT ORDERS** that the Stay Period, as defined in the Initial Order dated February 21, 2008 be and is hereby extended to June 6, 2008.



*[Faint handwritten text]*

JSN

**SCHEDULE "A"**

**PLAN OF COMPROMISE OR ARRANGEMENT**

**in respect of  
COTTON GINNY INC. AND CG OPERATIONS (HO) LIMITED**

**PURSUANT TO THE *COMPANIES' CREDITORS ARRANGEMENT  
ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**May 15, 2008**

## PLAN OF COMPROMISE OR ARRANGEMENT

### ARTICLE 1 INTERPRETATION

#### Section 1.1 Definitions

In this Plan (including the Schedules hereto), unless otherwise stated or the context otherwise requires:

**“Administrative Fees and Expenses”** means the proper fees, expenses and legal fees and disbursements of the Monitor and the Applicant (and their counsel) on and incidental to the CCAA Proceedings, the negotiation, preparation, presentation, consideration and implementation of the Plan, and all proceedings and matters relating to or arising out of the Plan;

**“Affected Claims”** means Claims of HO Creditors and CGI Creditors;

**“Affected Creditors”** means Creditors with Affected Claims;

**“Annual Distributions”** has the meaning assigned in paragraph 4.1(d);

**“Applicant”** means, collectively, CGI and HO;

**“Business Day”** means a day that is not (a) a Saturday or a Sunday; or (b) a day observed as a holiday under the laws of the Province of Ontario or the federal laws of Canada applicable in the Province of Ontario;

**“CCAA”** means the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;

**“CCAA Proceedings”** means the proceedings before the Court in respect of the application by the Applicant commenced pursuant to the CCAA;

**“Certificates”** has the meaning assigned in paragraph 4.1(c);

**“CGI”** means Cotton Ginny Inc.;

**“CGI Creditors”** means all Creditors having Claims against CGI save and except for Unaffected Creditors;

**“Claim”** means any right or claim of any Person against the Applicant, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind of the Applicant, which indebtedness, liability or obligation is in existence at the Filing Date and which is not a Post-Filing Claim, and any interest that may accrue thereon which

there is an obligation to pay, and costs which such Person would be entitled to receive pursuant to the terms of any contract with such Person at law or in equity, any right of ownership of or title to property or assets or to a trust or deemed trust (statutory or otherwise) against any property or assets, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, based in whole or in part on facts which exist prior to the Filing Date, together with any other claims that would have been claims provable in bankruptcy had the Applicant become bankrupt on the Filing Date, and, for greater certainty, shall not include Unaffected Claims or any Claim for GST remittances;

**“Claims Procedure Order”** means the Order dated March 14, 2008 establishing the procedure for the determination of Claims;

**“Confirmation Date”** means the date that the Sanction Order is made;

**“Court”** means the Ontario Superior Court of Justice (Commercial List);

**“Creditor”** means any Person having a Claim and, if the context requires, an assignee or transferee of a Claim or a trustee, receiver, receiver-manager or other Person acting on behalf of such Person;

**“Dollars”** or **“\$”** means lawful money of Canada unless otherwise indicated;

**“Effective Date”** means the first Business Day following the date on which all of the conditions set forth in Section 8.6 have been satisfied;

**“Electing Creditors”** has the meaning assigned in paragraph 4.1(b);

**“Filing Date”** means February 21, 2008;

**“HO”** means CG Operations (HO) Limited;

**“HO Creditors”** means all Creditors having Claims against HO save and except for the Unaffected Creditors;

**“Implementation Date”** means the later of: (a) the first Business Day following the day when all of the conditions to the implementation of this Plan set forth in Section 8.7 have been satisfied; and (b) December 31, 2008;

**“Initial Distribution”** has the meaning assigned in paragraph 4.1(b);

**“Initial Order”** means the Order dated February 21, 2008, pursuant to which, among other things, the Applicant was granted relief pursuant to the CCAA;

**“Meeting”** means the meeting of the Affected Creditors called for the purpose of considering and approving this Plan and includes any adjournment of such meetings;

**“Meeting Date”** means the date fixed for the Meeting by the Plan Filing Order, including any dates to which the Meeting is adjourned;

**“Monitor”** means Mintz & Partners Limited as appointed by the Initial Order, and any successor thereto appointed by any further Order;

**“OBCA”** means the *Business Corporations Act*, R.S.O. 1990, c. B.16 , as amended;

**“Order”** means any order of the Court in connection with the CCAA Proceedings;

**“Person”** means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other juridical entity howsoever designated or constituted;

**“Plan”** means this Plan of Compromise or Arrangement, as the same may hereafter be amended or supplemented from time to time in accordance with the terms hereof;

**“Plan Filing Order”** means the Order dated May 16, 2008, *inter alia*, authorizing the filing of the Plan, setting the Meeting Date and establishing the procedure for the Meeting;

**“Post-Filing Claim”** means any Claim arising solely from or caused solely by an action taken by the Applicant after the Filing Date;

**“Proven Claim”** of a Creditor means the amount of the Affected Claim of such Creditor as finally determined for voting and distribution purposes in accordance with the Claims Procedure Order and the Plan Filing Order;

**“Released Parties”** means the Applicant, the Monitor and each of their respective officers, directors, employees, legal counsel and agents;

**“Remaining Affected Creditors”** has the meaning assigned in paragraph 4.1(c);

**“Required Majority”** means, in respect of the Affected Creditors, a majority in number of Affected Creditors representing two-thirds in value of the Affected Creditors’ Proven Claims present and voting in person, by voting letter or by proxy at the Meeting;

**“Sanction Order”** means the Order of the Court sanctioning and approving the Plan;

**“Tax”** or **“Taxes”** shall mean any and all federal, provincial, municipal, local and foreign taxes, assessments, reassessments and other governmental charges, duties, impositions and liabilities including for greater certainty taxes based upon or measured by reference to gross receipts, income, profits, sales, capital, use and occupation, goods and services, and value added, *ad valorem*, transfer, franchise, withholding, custom

duties, payroll, recapture, employment, excise and property taxes, together with all interest, penalties, fines and additions with respect to such amounts; and

“**Unaffected Claims**” means: (a) Administrative Fees and Expenses; (b) claims of those persons listed on the attached **Schedule “A”**; (c) Claims for wages, salary and vacation pay accruing due to employees; and (d) Post-Filing Claims.

**Section 1.2 Interpretation, etc.**

For the purposes of this Plan:

- (a) any reference to a contract, instrument, release, indenture, or other agreement or documents being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (b) any reference to an Order or to an existing document or exhibit filed or to be filed means such Order, document or exhibit as it may have been or may be amended, modified, or supplemented from time to time;
- (c) any reference to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force from time to time;
- (d) unless otherwise specified, all references to Sections, Articles and Schedules are references to Sections, Articles and Schedules of or to the Plan;
- (e) the words “herein” and “hereto” refer to this Plan in its entirety rather than to a particular portion of the Plan;
- (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan;
- (g) where the context requires, a word or words importing the singular shall include the plural and vice versa, and a word or words importing the masculine gender shall include the feminine and neuter genders and vice versa;
- (h) the words “includes” and “including” are not limiting;
- (i) the phrase “may not” is prohibitive and not permissive; and
- (j) the word “or” is not exclusive.

**Section 1.3 Date for any Action**

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action shall be required to be taken by 5:00 p.m. on the next succeeding day which is a Business Day.

**Section 1.4 Time**

All times expressed in this Plan are local time Toronto, Ontario, Canada unless otherwise stipulated.

**ARTICLE 2  
PURPOSE AND EFFECT OF THE PLAN**

**Section 2.1 Background**

The circumstances and events leading up to this Plan will be summarized in the Report of the Monitor, which will be circulated to Affected Creditors in connection with this Plan.

**Section 2.2 Persons Affected**

This Plan provides for a coordinated restructuring and compromising of Affected Claims. This Plan will become effective on the Effective Date and shall be binding on and enure to the benefit of the Applicant and the Affected Creditors and their respective heirs, administrators, executors, legal personal representatives, successors and assigns.

**Section 2.3 Persons Not Affected**

This Plan does not affect holders of Unaffected Claims and nothing in this Plan shall impact the rights of the Creditors with Unaffected Claims against the Applicant. Nothing in this Plan shall affect any Applicant's rights and defences, both legal and equitable, with respect to any Affected Claims, including, but not limited to, all rights with respect to legal and equitable defences or entitlements to setoffs or recoupment against such Claims.

**ARTICLE 3  
CLASSIFICATION OF CREDITORS, VALUATION OF CLAIMS AND  
RELATED MATTERS**

**Section 3.1 Classes of Claims**

For the purpose of considering and voting on the Plan there shall be one class consisting of all Affected Creditors.

**Section 3.2 Claims**

Affected Creditors shall vote in respect of the Plan and receive the rights provided for under and pursuant to this Plan. The right of Affected Creditors to vote on the Plan shall be determined in accordance with the Claims Procedure Order and the Plan Filing Order.

**Section 3.3 Meetings**

The Meeting of the Affected Creditors shall be held and conducted in accordance with this Plan and the Plan Filing Order. The only Persons entitled to attend the Meeting are those persons, including the holders of proxies, entitled to vote at the Meeting and their legal counsel, the Monitor and its legal counsel and the officers, directors and legal counsel of the Applicant. Any other Person may be admitted on invitation of the chairperson of the Meeting. An officer of the Monitor or a person designated by the Monitor shall preside as the chairperson of the Meeting and shall decide all matters related to the conduct of the Meeting.

**Section 3.4 Approval by Affected Class**

The Applicant will seek approval of the Plan by the affirmative vote of the Required Majority of the Affected Creditors in order that the Plan becomes binding on the Affected Creditors as of the Effective Date. Affirmative votes of the Required Majority of Affected Creditors is required for the Plan to be accepted by the Affected Creditors.

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**Section 3.5 Value of Claims for Voting Purposes**

Each Affected Creditor shall be entitled to vote based on a value equal to its respective Proven Claim.

**ARTICLE 4  
PLAN OF ARRANGEMENT**

**Section 4.1 Implementation of Plan**

- (a) On the Implementation Date, the Debtor shall pay any outstanding Administrative Fees and Expenses and shall deliver a retainer of \$50,000.00 (or such other amount as the Applicant and the Monitor may agree).
- (b) On the Business Day that is 10 Business Days after Implementation Date the Applicant will distribute the sum of \$400,000.00 (the "**Initial Distribution**") to the Monitor. All Affected Creditors with a Proven Claim not exceeding \$25,000.00 and all Affected Creditors with a Proven Claim greater than \$25,000.00 who elect, by notice in writing to the Monitor (substantially in the form of the notice attached as **Schedule "B"**) received by the Monitor at least two Business Days prior to the Implementation Date, to value their Proven Claims at \$25,000.00 for distribution purposes (collectively, the "**Electing Creditors**"), shall receive their *pro rata* share of \$400,000.00 provided that no Affected Creditor shall be entitled to receive more than 100% of that Affected Creditor's Proven Claim or, in the case of Affected Creditors whose claims are greater than \$25,000.00, \$25,000.00.
- (c) On the Implementation Date, the Monitor will distribute to the Affected Creditors with Proven Claims greater than \$25,000.00 who do not elect to receive the distribution provided for in Article 4.1(b) (the "**Remaining Affected Creditors**") certificates ("**Certificates**") in the amount of their Proven Claims in full and final

satisfaction of their Proven Claims. The Certificates will provide that holders are entitled to a *pro rata* share of the amount distributed by the Applicant to the Monitor in accordance with paragraph (d);

- (d) By no later than the Implementation Date, the Applicant will provide CG Operations I Limited and CG Operations II Limited sufficient funds to pay any outstanding obligations owing by those companies, as determined by the Monitor pursuant to the procedure established by the Claims Procedure Order or any further order of the Court; and
- (e) Commencing in fiscal 2009, by no later than December 31<sup>st</sup> following the end of each fiscal year, the Applicant shall distribute to the Monitor an amount equal to 40% of the Applicant's net cash flow from operations calculated as the Applicant's net income *per* its audited financial statements (excluding income or loss from sales of assets out of the ordinary course of business and/or extraordinary items) after income tax plus amortization and less amounts paid for capital expenditures (the "Annual Distributions"). The Applicant will make the Annual Distribution each year until such time as the aggregate amount of the Annual Distributions made by the Applicant inclusive of any Administrative Fees and Expenses paid from the Annual Distributions equals \$4,700,000.00; and
- (f) The Applicant shall include with the Annual Distributions a report of the Applicant's auditor stating that, in their opinion, the computation of the Annual Distribution has been made in accordance with paragraph (d).

**Section 4.2 Accelerated Distribution**

The Applicant may, at any time after the Implementation Date, distribute the sum of \$4,700,000.00 to the Monitor in full and final satisfaction of the Applicant's obligation to make Annual Distributions pursuant to paragraph 4.1(d).

**ARTICLE 5  
PROVISIONS GOVERNING DISTRIBUTIONS**

**Section 5.1 Initial Distribution**

Within 30 Business Days of receiving the Initial Distribution or as soon as practical thereafter, the Monitor shall distribute the Initial Distribution to the Electing Creditors in accordance with paragraph 4.1(b). The surplus, if any, remaining from the Initial Distribution after making the distribution to the Electing Creditors shall be added to the first Annual Distribution and distributed to the Remaining Affected Creditors.

**Section 5.2 Distribution to Affected Creditors**

Subject to Article 5.3, within 30 Business Days of receiving an Annual Distribution or as soon as practical thereafter, the Monitor shall deduct any outstanding Administrative Fees and Expenses from the Annual Distribution and distribute the remaining amount of the Annual Distribution to

the Remaining Affected Creditors *pro rata* based on the Proven Claims of the Remaining Affected Creditors.

**Section 5.3 De Minimus Distributions**

The Monitor may not make a distribution to any Remaining Affected Creditor unless the amount of the distribution to be made to that Remaining Affected Creditor is \$10.00. If the amount to be distributed to a Remaining Affected Creditor at any given time based on that Remaining Affected Creditor's *pro rata* share of the Annual Distribution for that year plus any amounts held in trust by the Monitor for the Remaining Affected Creditor from a previous Annual Distribution or Special Distribution, is less than \$10.00, the Monitor may: (a) not effect a distribution to that Remaining Affected Creditor; (b) retain the amount of the distribution in trust for that Remaining Affected Creditor; and (c) make a distribution to the Remaining Affected Creditor in the first year where the amount held in trust for that Remaining Affected Creditor is \$10.00.

**Section 5.4 Value of Claims for Distribution Purposes**

The value of a Claim for distribution purposes shall be determined in accordance with the procedure established by the Claims Procedure Order.

**Section 5.5 No Distributions Pending Allowance**

Notwithstanding any other provision of the Plan, no payment or distribution shall be made with respect to any Affected Claim unless and until all of the Affected Claims become Proven Claims.

**Section 5.6 Interest on Claims**

Unless otherwise specifically provided for in this Plan or the Sanction Order, interest shall not accrue or be paid on Affected Claims after the Filing Date, and holders of Affected Claims shall only be entitled to interest accruing on or before the Filing Date on any such Claims.

**Section 5.7 Delivery of Distributions**

Distributions to Affected Creditors shall be made by prepaid ordinary mail by the Monitor: (a) to the address set forth on the Proof of Claim filed by an Affected Creditor; or (b) to the addresses set forth in any written notices of address changes delivered to the Monitor after the date of any related Proof of Claim. If any Affected Creditor's distribution is returned as undeliverable, no further distributions to such Affected Creditor shall be made unless and until the Monitor is notified of such Affected Creditor's then current address, at which time all missed distributions shall be made to such Affected Creditor without interest. All claims for undeliverable distributions must be made on or before the expiration of six (6) months following the date of the distribution, after which date the Claim of any Affected Creditor or successor of such Affected Creditor with respect to such unclaimed distributions shall be discharged, and forever barred, notwithstanding any federal or provincial laws to the contrary, and any such undeliverable distributions shall be returned to the Applicant. Nothing contained in the Plan shall require the Applicant or the Monitor to attempt to locate any Affected Creditor.

### **Section 5.8 Withholding and Reporting Requirements**

In connection with this Plan and all distributions hereunder, the Monitor shall, to the extent applicable, comply with all Tax withholding and reporting requirements imposed by any federal, state, provincial, local, or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. The Monitor shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Notwithstanding any other provision of the Plan: (a) each Affected Creditor that is to receive a distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any governmental authority, including income, withholding and other Tax obligations, on account of such distribution; and (b), to the extent applicable, no distribution shall be made to or on behalf of any Affected Creditor pursuant to the Plan unless and until such Affected Creditor has made arrangements satisfactory to the Monitor for the payment and satisfaction of such Tax obligations. Any distributions to be distributed pursuant to the Plan shall, pending the implementation of such arrangements, be treated as an undeliverable distribution. It is the Applicant's intent that distributions under the Plan to holders of Claims are in respect of, and to be applied to, principal first and then interest.

## **ARTICLE 6 AMALGAMATION**

On the Implementation Date, CGI and HO will be amalgamated in accordance with section 177 of the OBCA.

## **ARTICLE 7 RELEASES**

### **Section 7.1 Plan Releases**

On the Effective Date, the Released Parties shall, to the extent not specifically prohibited by the CCAA, be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, including, without limitation, any and all claims in respect of potential statutory liabilities of the former, present and future directors and officers of the Applicant, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Effective Date relating to, arising out of or in connection with the Claims, the business and affairs of the Applicant, this Plan and the CCAA Proceedings, provided that nothing herein shall release or discharge the Applicant from or in respect of Proven Claims or from or in respect of their obligations to Creditors under this Plan or under any Order and provided further that nothing therein shall release or discharge a Released Party if the Released Party is adjudged by the express terms of a judgement rendered on a final determination on the merits to have committed fraud or wilful misconduct. Nothing in this section shall impact the rights of Unaffected Creditors.

**Section 7.2 Injunction Related to Releases**

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest released, discharged or terminated pursuant to the Plan.

**ARTICLE 8  
MISCELLANEOUS**

**Section 8.1 Confirmation of Plan**

Provided that the Plan is approved by the Required Majority of the Affected Creditors, the Applicant will seek the Sanction Order and, subject only to the satisfaction of those conditions described in Sections 8.6 and 8.7, the Plan will be implemented by the Applicant and will be binding upon the Applicant and all Affected Creditors.

**Section 8.2 Paramountcy**

From and after the Effective Date, any conflict between the Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of the Applicant, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Applicant as at the Effective Date will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which shall take precedence and priority. All Affected Creditors shall be deemed to consent to all transactions contemplated in this Plan.

**Section 8.3 Compromise Effective for all Purposes**

The payment, compromise or other satisfaction of any Affected Claim under the Plan, if sanctioned and approved by the Court, shall be binding upon such Affected Creditor, its heirs, executors, administrators, legal personal representatives, successors and assigns.

**Section 8.4 Modification of Plan**

The Applicant reserves the right, at any time and from time to time, to amend, modify and/or supplement this Plan, provided that any such amendment, modification or supplement must be contained in a written document which is filed with the Court and: (a) if made prior to the Meeting, communicated to the Creditors in the manner required by the Court (if so required); and (b) if made following the Meeting, approved by the Court following notice to the Creditors affected thereby.

Any amendment, modification or supplement may be made following the Sanction Order by the Applicant with the consent of the Monitor, provided that it concerns a matter which, in the opinion of the Applicant and the Monitor, acting reasonably, is of an administrative nature

required to better give effect to the implementation of this Plan and the Sanction Order and is not adverse to the financial or economic interests of the Affected Creditors.

Any supplementary or amended plan or plans of compromise or arrangement filed with the Court and, if required by this Section 8.4, approved by the Court, shall, for all purposes, be and be deemed to be a part of and incorporated in this Plan.

**Section 8.5 Consents, Waivers and Agreements**

As at 12:01 a.m. on the Effective Date,

- (a) each Affected Creditor shall be deemed to have consented and to have agreed to all of the provisions of this Plan as an entirety. In particular, each Affected Creditor shall be deemed:
  - (i) to have executed and delivered to the Monitor and the Applicant all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan as an entirety;
  - (ii) to have waived any and all defaults then existing or previously committed by the Applicant in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto, existing between any such Affected Creditor and the Applicant and any and all notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded; and
  - (iii) to have agreed that, if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Affected Creditor and the Applicant as at such time (other than those entered into by the Applicant on, or with effect from, such time) and the provisions of this Plan, then the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

In this Plan the deeming provisions are not rebuttable and are conclusive and irrevocable.

**Section 8.6 Plan Effective**

The Plan is not effective unless and until:

- (a) the Required Majority of the Affected Creditors vote in favour of the acceptance of the Plan;

- (b) the Sanction Order, in form and substance reasonably satisfactory to the Applicant, is entered and all applicable appeal periods have expired;
- (c) the directors of CGI and HO have passed resolutions approving the amalgamation of CGI and HO in accordance with the articles of amalgamation attached as Schedule "C" and signed the required certificates; and
- (d) articles of amalgamation in respect of the amalgamation of CGI and HO are sent and endorsed as provided by subsection 178(4) of the OBCA.

**Section 8.7 Conditions Precedent to Implementation of Plan**

The implementation of the Plan is subject to the following conditions precedent:

- (a) the Plan shall be effective;
- (b) all actions, documents and agreements necessary to implement the Plan shall have been effected or executed and delivered; and
- (c) all Affected Claims shall have become Proven Claims.

**Section 8.8 Notices**

Any notices or communications to be made or given hereunder shall be in writing and shall refer to this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid ordinary mail or by facsimile addressed to the respective parties as follows:

- (a) if to the Applicant:  
  
2800 Matheson Blvd.  
Mississauga ON L4W 4X5  
  
**Attention: Tony Chahine**  
**Facsimile: (905) 238-3892**
- (b) if to a Creditor:  
  
(i) to the address for such Creditor specified in the Notice of Claim or the Proof of Claim filed by a Creditor or, (ii) at the address set forth in any written notice of address changes delivered to the Monitor after the date of any related Proof of Claim.
- (c) if to the Monitor:  
  
**Mintz & Partners Limited**  
1 Concorde Gate  
Suite 200  
Toronto ON M3C 4G4

**Attention: Daniel Weisz**  
**Facsimile: (416) 644-4303**

or to such other address as any party may from time to time notify the others in accordance with this Section 8.8. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by facsimile and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption, unless actually received, shall be deemed not to have been given or made. All such notices and communications shall be deemed to have been received, in the case of notice by facsimile or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fourth Business Day following the date on which such notice or other communication is mailed. ~~The unintentional failure by the Applicant to give notice contemplated hereunder to any particular Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.~~

**Section 8.9 Severability of Plan Provisions**

If, prior to the Confirmation Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Applicant, shall have the power to either: (a) sever such term or provision from the balance of the Plan and provide the Applicant with the option to proceed with the implementation of the balance of the Plan as of and with effect from the Effective Date; or (b) alter or interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, holding, alteration or interpretation, and provided the Applicant proceeds with the implementation of the Plan, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, holding, alteration or interpretation. Notwithstanding the foregoing, no such severance, alteration or interpretation shall affect Unaffected Claims and the rights of Creditors with Unaffected Claims.

**Section 8.10 Revocation, Withdrawal, or Non-Consummation**

The Applicant reserves the right to revoke or withdraw the Plan at any time prior to the Confirmation Date or to file subsequent plans of compromise or arrangement. If the Applicant revokes or withdraws the Plan, or if the Sanction Order is not issued: (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void; and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall: (i) constitute or be deemed to constitute a waiver or release of any Claims by or against the Applicant or any other Person; (ii) prejudice in any manner the rights of the Applicant or any other Person in any further proceedings involving the Applicant; or (iii) constitute an admission of any sort by the Applicant or any other Person.

**Section 8.11 Further Assurances**

Notwithstanding that the transactions and events set out in this Plan shall occur and be deemed to occur in the order set out herein without any additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done and executed at the cost of the requesting party, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by the Applicant in order to better implement this Plan.

**Section 8.12 Governing Law**

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

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**SCHEDULE "A"**

**Specified Unaffected Creditors**

Black Saxon QRC Inc. (in all capacities)

CSBA Asset Management Inc.

CG Operations I Limited

CG Operations II Limited

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SCHEDULE "B"

Court File No. 08-CL-7415

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF COTTON GINNY INC., CG OPERATIONS (H/O)  
LIMITED, CG OPERATIONS I LIMITED, CG OPERATIONS II  
LIMITED

ELECTION PURSUANT TO SECTION 4.1 OF THE PLAN OF COMPROMISE OR  
ARRANGEMENT DATED MAY 16, 2008 (the "Plan")

I/We \_\_\_\_\_ (name of creditor), a creditor of  
either Cotton Ginny Inc. or CG Operations (HO) Limited having a Proven Claim (as defined in the Plan) greater  
than \$25,000.00 hereby elect, pursuant to paragraph 4.1(b) of the Plan, to value that Proven Claim at \$25,000.00 for  
distribution purposes.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
Print Name of Creditor

\_\_\_\_\_  
Signature of Creditor or, if the Creditor is a corporation,  
signature of an authorized signing officer of the corporation

Name:  
Title:



5. Method of amalgamation, check A or B  
*Méthode choisie pour la fusion – Cocher A ou B :*

**A - Amalgamation Agreement / Convention de fusion :**

The amalgamation agreement has been duly adopted by the shareholders of each of the amalgamating corporations as required by subsection 176 (4) of the *Business Corporations Act* on the date set out below.  
*Les actionnaires de chaque société qui fusionne ont dûment adopté la convention de fusion conformément au paragraphe 176(4) de la Loi sur les sociétés par actions à la date mentionnée ci-dessous.*

or  
ou

**B - Amalgamation of a holding corporation and one or more of its subsidiaries or amalgamation of subsidiaries / Fusion d'une société mère avec une ou plusieurs de ses filiales ou fusion de filiales :**

The amalgamation has been approved by the directors of each amalgamating corporation by a resolution as required by section 177 of the *Business Corporations Act* on the date set out below.  
*Les administrateurs de chaque société qui fusionne ont approuvé la fusion par voie de résolution conformément à l'article 177 de la Loi sur les sociétés par actions à la date mentionnée ci-dessous.*

The articles of amalgamation in substance contain the provisions of the articles of incorporation of  
*Les statuts de fusion reprennent essentiellement les dispositions des statuts constitutifs de*

**Cotton Ginny Inc.**

and are more particularly set out in these articles.  
*et sont énoncés textuellement aux présents statuts.*

Names of amalgamating corporations <i>Dénomination sociale des sociétés qui fusionnent</i>	Ontario Corporation Number <i>Numéro de la société en Ontario</i>	Date of Adoption/Approval <i>Date d'adoption ou d'approbation</i>		
		Year <i>année</i>	Month <i>mois</i>	Day <i>jour</i>
Cotton Ginny Inc.	1721419			
CG Operations (H/O) Limited	2023414			

6. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.  
*Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la société.*

7. The classes and any maximum number of shares that the corporation is authorized to issue:  
*Catégories et nombre maximal, s'il y a lieu, d'actions que la société est autorisée à émettre :*

8. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:

*Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions qui peut être émise en série :*

9. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:  
*L'émission, le transfert ou la propriété d'actions est/n'est pas restreint. Les restrictions, s'il y a lieu, sont les suivantes :*

10. Other provisions, (if any):  
*Autres dispositions, s'il y a lieu :*

11. The statements required by subsection 178(2) of the *Business Corporations Act* are attached as Schedule "A".  
*Les déclarations exigées aux termes du paragraphe 178(2) de la Loi sur les sociétés par actions constituent l'annexe A.*
12. A copy of the amalgamation agreement or directors' resolutions (as the case may be) is/are attached as Schedule "B".  
*Une copie de la convention de fusion ou les résolutions des administrateurs (selon le cas) constitue(nt) l'annexe B.*

These articles are signed in duplicate.  
 Les présents statuts sont signés en double exemplaire.

Name and **original signature** of a director or authorized signing officer of each of the amalgamating corporations. Include the name of each corporation, the signatories name and description of office (e.g. president, secretary). **Only a director or authorized signing officer can sign on behalf of the corporation.** / **Nom et signature originale d'un administrateur ou d'un signataire autorisé de chaque société qui fusionne. Indiquer la dénomination sociale de chaque société, le nom du signataire et sa fonction (p. ex. : président, secrétaire). Seul un administrateur ou un dirigeant habilité peut signer au nom de la société.**

Cotton Ginny Inc.

Names of Corporations / *Dénomination sociale des sociétés*

By / Par \_\_\_\_\_

Tony Chahine President

Signature / *Signature* \_\_\_\_\_ Print name of signatory / *Nom du signataire en lettres moulées* \_\_\_\_\_ Description of Office / *Fonction* \_\_\_\_\_

CG Operations (H/O) Limited

Names of Corporations / *Dénomination sociale des sociétés*

By / Par \_\_\_\_\_

Tony C. Badr President

Signature / *Signature* \_\_\_\_\_ Print name of signatory / *Nom du signataire en lettres moulées* \_\_\_\_\_ Description of Office / *Fonction* \_\_\_\_\_

Names of Corporations / *Dénomination sociale des sociétés*

By / Par \_\_\_\_\_

Signature / *Signature* \_\_\_\_\_ Print name of signatory / *Nom du signataire en lettres moulées* \_\_\_\_\_ Description of Office / *Fonction* \_\_\_\_\_

Names of Corporations / *Dénomination sociale des sociétés*

By / Par \_\_\_\_\_

Signature / *Signature* \_\_\_\_\_ Print name of signatory / *Nom du signataire en lettres moulées* \_\_\_\_\_ Description of Office / *Fonction* \_\_\_\_\_

Names of Corporations / *Dénomination sociale des sociétés*

By / Par \_\_\_\_\_

Signature / *Signature* \_\_\_\_\_ Print name of signatory / *Nom du signataire en lettres moulées* \_\_\_\_\_ Description of Office / *Fonction* \_\_\_\_\_

**SCHEDULE "A"**

**STATEMENT OF DIRECTOR**

**RE: Amalgamation of Cotton Ginny Inc. and CG Operations (H/O) Limited**

I, Julie Rulli, make this statement in respect of the amalgamation of Cotton Ginny Inc. and CG Operations (H/O) Limited (the "**Amalgamation**") pursuant to Section 174 of the *Business Corporations Act* (Ontario) (the "**Act**"):

1. I am the sole director and Vice-President of CG Operations (H/O) Limited (the "**Corporation**").
2. I have conducted an examination of the books and records of the Corporation and have made any inquiries and investigations that are necessary to enable me to make this statement.
3. There are reasonable grounds for believing that:
  - (a) the Corporation is, and the amalgamated corporation (the "**Amalgamated Corporation**") continuing from the Amalgamation will be, able to pay their respective liabilities as they become due;
  - (b) the realizable value of the Amalgamated Corporation's assets will not be less than the aggregate of its liabilities and stated capital of all classes; and
  - (c) no creditor of the Corporation will be prejudiced by the Amalgamation.

DATED the \_\_\_\_\_ day of June, 2008.

\_\_\_\_\_  
Julie Rulli

**SCHEDULE "A"**

**STATEMENT OF DIRECTOR**

**RE: Amalgamation of Cotton Ginny Inc. and CG Operations (H/O) Limited**

I, Julie Rulli, make this statement in respect of the amalgamation of Cotton Ginny Inc. and CG Operations (H/O) Limited (the "**Amalgamation**") pursuant to Section 174 of the *Business Corporations Act* (Ontario) (the "**Act**"):

1. I am the sole director and Vice-President of Cotton Ginny Inc. (the "**Corporation**").
2. I have conducted an examination of the books and records of the Corporation and have made any inquiries and investigations that are necessary to enable me to make this statement.
3. There are reasonable grounds for believing that:
  - (a) the Corporation is, and the amalgamated corporation (the "**Amalgamated Corporation**") continuing from the Amalgamation will be, able to pay their respective liabilities as they become due;
  - (b) the realizable value of the Amalgamated Corporation's assets will not be less than the aggregate of its liabilities and stated capital of all classes; and
  - (c) no creditor of the Corporation will be prejudiced by the Amalgamation.

DATED the \_\_\_\_\_ day of June, 2008.

\_\_\_\_\_  
Julie Rulli

**SCHEDULE "B"**

# PLAN OF COMPROMISE OR ARRANGEMENT

in respect of

COTTON GINNY INC. ("CGI") AND CG OPERATIONS (HO) LIMITED ("HO")

## SUMMARY OF KEY TERMS<sup>1</sup>

<b>Purpose of the Plan</b>	<p>The purpose of the Plan is to provide for the compromise of the Claims of all Affected Creditors. Affected Creditors will receive distributions under the Plan in full and final satisfaction of their Claims against CGI and HO.</p> <p>The Plan is intended to allow CGI and HO to continue as going concerns going forward for the benefit of their stakeholders.</p>
<b>Unaffected Creditors</b>	<p>The Plan will not impact the Claims: (a) of the Monitor and its counsel, and CGI/HO's counsel arising before or after the Filing Date; (b) of the Unaffected Creditors; (c) for wages, salary and vacation pay accruing due to employees; (d) that are in respect of unremitted GST; and (e) that are Post-Filing Claims.</p>
<b>Affected Creditors</b>	<p>The Plan will compromise the claims of all of the creditors of CGI and HO except the Unaffected Creditors. The Plan provides for a single class of Affected Creditors for voting and distribution purposes.</p>

<sup>1</sup> This summary is intended to provide general information only. Reference should be had to the Plan. In the event of any inconsistency between this Summary and the Plan, the Plan shall govern. All terms not otherwise defined, have the meaning assigned in the Plan.

<b>Conditions to Plan being Effective</b>	The Plan will not be effective unless and until: (a) a majority in number representing 2/3 in value of the Affected Creditors present and voting at the meeting of Affected Creditors called to consider the Plan vote in favour of the Plan; and (b) the Court sanctions the Plan.
<b>Implementation</b>	The Plan will be implemented no later than December 31, 2008.
<b>Distribution by Monitor</b>	The Monitor will make all distributions to Affected Creditors under the Plan.
<b>Distribution on Implementation</b>	<p>Within 10 Business Days after the Implementation Date, there will be a distribution to the Monitor of \$400,000.</p> <p>This distribution will be distributed, <i>pro rata</i>, by the Monitor to: (a) Affected Creditors whose Proven Claims are less than \$25,000; and (b) Affected Creditors whose Proven Claims are greater than \$25,000, but who elect to value their Proven Claims at \$25,000.</p> <p>Based on the Claims that have been proven against CGI/HO in accordance with the claims procedure undertaken by the Monitor pursuant to the Claims Procedure Order, CGI/HO estimates that this will result in a distribution to these Affected Creditors equal to approximately 75% of their Proven Claims.</p>
<b>Distributions to Remaining Affected Creditors</b>	<p>On the Implementation Date, the Remaining Affected Creditors will receive Certificates in the amount of their Proven Claims.</p> <p>Each year beginning in 2009, CGI/HO will distribute to the Monitor an amount equal to 40% of its net cash flow calculated as set forth in the Plan up to an aggregate amount of \$4.7 million. The</p>

	<p>Monitor will distribute the Annual Distributions to the Remaining Affected Creditors <i>pro rata</i>, net of Administrative Fees and Expenses</p> <p>Based on the Claims that have been proven against CGI/HO in accordance with the claims procedure undertaken by the Monitor pursuant to the Claims Procedure Order, CGI/HO estimates that this will result in a distribution to Remaining Creditors equal to approximately 20% of their Proven Claims (not including an allowance for Administrative Fees and Expenses).</p>
<b>Early Payment Rights</b>	CGI/HO has the option of paying \$4.7 million in full and final satisfaction of its obligations to make Annual Distributions.
<b>Amalgamation</b>	The Plan provides for CGI and HO to be amalgamated and to continue as a single company named Cotton Ginny Inc. HO is a wholly-owned subsidiary of CGI and the amalgamation will take place in accordance with the "short-form" amalgamation provisions of the <i>Business Corporation Act</i> (Ontario), which permit a wholly-owned subsidiary to be amalgamated into its parent.
<b>Administrative Fees and Expenses</b>	The Administrative Fees and Expenses will be paid out of the Annual Distributions. The amount that will be distributed to the Remaining Affected Creditors under the Plan will be the amount paid to the Monitor by CGI/HO net of any Administrative Fees and Expenses.
<b>Landlord Claims</b>	CG Operations I Limited and CG Operations II Limited are wholly-owned subsidiaries of CGI that hold the leases for the "Cotton Ginny" stores. The claims against these companies are not considered by CGI/HO to be material

	when compared to the cost of attempting to effect a compromise of these claims and will be paid in full by if the Plan is accepted and sanctioned by the Court.
<b>Meeting of Affected Creditors</b>	A meeting of Affected Creditors to consider the Plan will be held no later than June 6, 2008. Prior to this meeting, the Monitor will provide all Affected Creditors with a report containing financial information with respect to CGI/HO to assist Affected Creditors in assessing the Plan.
<b>Further Information</b>	Further information with respect to CGI and HO, including the relationship between the companies, is contained in the reports prepared by the Monitor. Those reports are available at <a href="http://www.mintzca.com">www.mintzca.com</a> .

**SCHEDULE "C"**

TOR\_LAW\6866126\1

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF COTTON GINNY INC.,  
CG OPERATIONS (H/O) LIMITED, CG OPERATIONS I LIMITED,  
CG OPERATIONS II LIMITED**

**VOTING LETTER**

**THE UNDERSIGNED** has reviewed the Plan of Compromise or Arrangement dated May 15, 2008 (the "**Plan**") and hereby instructs Mintz & Partners Limited in its capacity as monitor of Cotton Ginny Inc. and CG Operations (HO) Limited and chair of the meeting of creditors to record a vote in respect of the Plan as follows (please check one of the boxes below; if neither box is checked or if both boxes are checked, your vote will be counted in favour of the Plan):

**VOTE FOR** approval of the Plan                       **VOTE AGAINST** approval of the Plan.

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
Print Name of Creditor

\_\_\_\_\_  
Signature of Creditor or, if the Creditor is a corporation, signature of an authorized signing officer of the corporation

Name:  
Title:]

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF COTTON GINNY INC.,  
CG OPERATIONS (H/O) LIMITED, CG OPERATIONS I LIMITED,  
CG OPERATIONS II LIMITED**

**PROXY**

I/We \_\_\_\_\_ (*name of creditor*), a creditor of Cotton Ginny Inc. and/or CG Operations (HO) Limited hereby irrevocably appoint \_\_\_\_\_ (*name of proxy*) to be our proxy in the above matter, except as to the receipt of dividends, with power to appoint another proxy in his or her place.

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
Print Name of Creditor

\_\_\_\_\_  
Signature of Creditor or, if the Creditor is a corporation, signature of an authorized signing officer of the corporation

Name:

Title:

TOR\_LAW\6818566\2

Court File No.: 08-CL-7415

**IN THE MATTER OF THE COMPANIES' CREDITORS' ARRANGEMENT ACT, R.S.C. 1985, C. c-36, AS AMENDED**  
**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF COTTON GINNY LIMITED A ET AL**

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

(PROCEEDING COMMENCED AT TORONTO)

**ORDER**

**GOWLING LAFLEUR HENDERSON LLP**

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

**Clifton Prophet (LSUC No. 34345K)**

**E. Patrick Shea (LSUC No. 39655K)**

Tel: (416) 369-7200

Fax: (416) 862-7661

SOLICITORS FOR THE APPLICANT