

Clerk's stamp:

COURT FILE NUMBER 1001-07852
COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND THE JUDICATURE ACT, R.S.A. 2000, c. J-2, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MEDICAN HOLDINGS LTD., MEDICAN DEVELOPMENTS INC., R7 INVESTMENTS LTD., MEDICAN CONSTRUCTION LTD., MEDICAN CONCRETE INC., 1090772 ALBERTA LTD., 1144233 ALBERTA LTD., 1344241 ALBERTA LTD., 9150-3755 QUEBEC INC., AXCESS (GRANDE PRAIRIE) DEVELOPMENTS LTD., AXCESS (SYLVAN LAKE) DEVELOPMENTS LTD., CANVAS (CALGARY) DEVELOPMENTS LTD., ELEMENTS (GRANDE PRAIRIE) DEVELOPMENTS LTD., HOMES BY KINGSLAND LTD., LAKE COUNTRY (SITARA) DEVELOPMENTS LTD., MEDICAN (EDMONTON TERWILLEGAR) DEVELOPMENTS LTD., MEDICAN (GRANDE PRAIRIE) HOLDINGS LTD., MEDICAN (KELOWNA MOVE) DEVELOPMENTS LTD., MEDICAN (LETHBRIDGE - FAIRMONT PARK) DEVELOPMENTS LTD., MEDICAN (RED DEER - MICHENER HILL) DEVELOPMENTS LTD., MEDICAN (SYLVAN LAKE) DEVELOPMENTS LTD., MEDICAN (WESTBANK) DEVELOPMENT LTD., MEDICAN (WESTBANK) LAND LTD., MEDICAN CONCRETE FORMING LTD., MEDICAN DEVELOPMENTS (MEDICINE HAT SOUTHWEST) INC., MEDICAN ENTERPRISES INC. / LES ENTREPRISES MEDICAN INC., MEDICAN EQUIPMENT LTD., MEDICAN FRAMING LTD., MEDICAN GENERAL CONTRACTORS LTD., MEDICAN GENERAL CONTRACTORS 2010 LTD., RIVERSTONE (MEDICINE HAT) DEVELOPMENTS LTD., SANDERSON OF FISH CREEK (CALGARY) DEVELOPMENTS LTD., SIERRAS OF EAUX CLAIRES (EDMONTON) DEVELOPMENTS LTD., SONATA RIDGE (KELOWNA) DEVELOPMENTS LTD., SYLVAN LAKE MARINA DEVELOPMENTS LTD., THE ESTATES OF VALLEYDALE DEVELOPMENTS LTD., THE LEGEND (WINNIPEG) DEVELOPMENTS LTD., and WATERCREST (SYLVAN LAKE) DEVELOPMENTS LTD.
(THE PETITIONERS)

DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

FRASER MILNER CASGRAIN LLP
Bankers Court
15th Floor, 850 - 2nd Street S.W.
Calgary, Alberta T2P 0R8
Attention: David W. Mann / Derek M. Pontin
Ph. (403) 268-7097/6301 Fx. (403) 268-3100
File No.: 526686-1

AFFIDAVIT OF TYRONE SCHNEIDER
Sworn on July 24, 2012

Let the within Affidavit be filed notwithstanding that it is not an original

"Master Manebury"
M.C.A.B.A.

I, Tyrone Schneider, of Alberta, SWEAR AND SAY THAT:

1. I am the president of 1539319 Alberta Ltd., the Court appointed chief restructuring officer to all of the Petitioners (the "CRO") appointed to assist with the restructuring of the Petitioners. As such, I am familiar with the books and records of these proceedings and have personal knowledge of the matters herein deposed to except where stated to be based upon information and belief, in which case I do verily believe the same to be true.
2. All capitalized terms used in this Affidavit shall have the meaning ascribed to them in the Affidavit sworn by Mr. Wesley Reinheller and filed in these proceedings on May 25, 2010 (the "Initial Affidavit") unless otherwise indicated in this Affidavit.
3. I swear this Affidavit in support of the application of the Petitioners to extend the stay period in these proceedings (the "Stay") in respect of Medican (Westbank) Development Ltd. and Medican (Westbank) Land Ltd. (collectively, the "Kaleido Companies"), and Sanderson of Fish Creek (Calgary) Developments Ltd. ("Sanderson").
4. I have had the opportunity to review the Nineteenth Report of Ernst & Young Inc., the court appointed monitor of the Petitioners in these proceedings (the "Monitor") and I agree with the summaries and recommendations provided therein.

Current Status

5. On November 30, 2011, the Medican Group filed a Plan of Compromise and Arrangement (the "Plan") in respect of all of the Petitioners apart from the Kaleido Companies and Sanderson. On January 11, 2012, a substantial majority of the Affected Creditors (as defined in the Plan) voted in favour of the Plan, and on January 13, 2012 the Plan was sanctioned by Order of the Court. Whereas the implementation of the Plan was delayed pending confirmation of CIBC's security, this has been resolved and the Monitor reports that the Plan can be implemented shortly.
6. On December 5, 2011, February 29, 2012 and May 30, 2012, Orders were made lifting the Stay, to a limited extent, to allow receivership and foreclosure proceedings in respect of certain lands owned by the Kaleido Companies to commence. The allocation of the CCAA charges in respect of these lands has not yet been resolved.
7. The remaining entity in respect of which these proceedings continue is Sanderson, as summarized in the Monitor's Nineteenth Report.

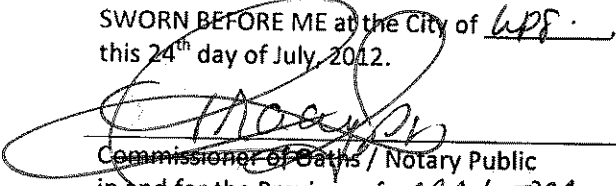
Extension of the Stay

8. An extension of the Stay to August 31, 2012 is necessary to address the issues surrounding the Sanderson project, including the rectification of the deficiencies, the holdback, the completion of construction of the project and the sale of parking stalls to Monarch. Attached hereto and marked as Exhibit "A" is a copy of correspondence sent by counsel to Medican to Justice K. Yamauchi outlining these issues.
9. I am advised by counsel to Medican and verily believe that a date for the hearing of these matters by this Honourable Court has been set for August 15, 2012. The result of the hearing on August 15, 2012 will directly impact the course of the restructuring of Sanderson. It is necessary

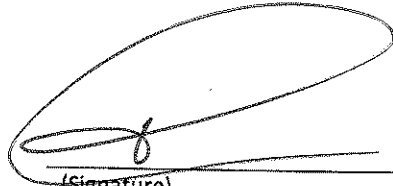
and appropriate to extend the Stay in these proceedings to August 31, 2012, to allow for the determination of the issues described above and in the Monitor's Nineteenth Report and at that time to consider what further steps are appropriate for Sanderson.

10. Further to the foregoing, the Petitioners continue to sell units and to work in good faith and with due diligence in these proceedings. I verily believe it is in the best interests of the Petitioners and all of the stakeholders to continue in these proceedings in the manner sought herein, including that the Stay be extended to and including August 31, 2012.
11. I make this Affidavit in support of an Application for the relief described in paragraph 3, above.

SWORN BEFORE ME at the City of WPS.
this 24th day of July, 2012.


Commissioner of Oaths / Notary Public
in and for the Province of MANITOBA

TRACEY L. EPP.
PRINT NAME AND EXPIRY


(Signature)

Tyrone Schneider
(Print Name)




FMC
— LAW —

July 24, 2012

VIA FACSIMILE

Justice K. Yamauchi
Court of Queen's Bench
2401N 601 5 Street SW
Calgary AB T2P 5P7

THIS IS EXHIBIT " A "
referred to in the Affidavit of
Ty Schneider
Sworn before me this 24th
day of July 2012

A Commissioner for Oaths
in and for the Province of Alberta
A NOTARY PUBLIC IN + FOR
MANITOBA

Fraser Milner Casgrain LLP
15TH Floor, Bankers Court
850 - 2ND Street SW
Calgary, AB, Canada T2P 0R8

MAIN 403 268 7000
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David LeGeyt
david.legeyt@fmc-law.com
DIRECT 403 268 3075
File No.: 526686-1

The Honourable Mister Justice Yamauchi,

RE: In the Matter of a Plan of Compromise or Arrangement of
Medican Holdings Ltd., Medican Developments Inc., R7 Investments Ltd., Medican
Construction Ltd. and Medican Concrete Inc., et. al (collectively "Medican")
Action #1001-07852

We write further to Mr. Czechowskyj's correspondence to Justice Horner (copy enclosed), and the prospect that a number of outstanding and related issues now require the assistance of this Honourable Court to resolve. This letter describes the various issues which exist at the Sanderson Project concerning the completion of construction, rectification of deficiencies, and related issues.

The issues are:

With regard to Monarch Land Ltd. ("Monarch")

1. Whether Monarch is in breach of the Purchase and Sale Agreement dated December 1, 2010 (the "Agreement") as a result of its failure to fund and rectify the common area deficiencies;
2. Whether Medican is entitled to an order for specific performance directing Monarch to fulfill the aforementioned obligations under the Agreement;
3. In the alternative to the foregoing, whether Sanderson is entitled to an Order authorizing DIP financing to fund and complete Monarch's obligations under the Agreement, with a corresponding first-ranking DIP charge over phases III and IV B of the Sanderson Project;
4. Whether Monarch is in breach of a side-letter wherein it committed to support Medican in these proceedings and Medican's restructuring;

5. Whether Monarch is in breach of a Confidentiality Agreement between Monarch and Sanderson, and whether Sanderson is entitled to an injunction preventing further breaches;
6. Whether Monarch is in breach of the Agreement, in violation of the stay of proceedings established by the previous Orders of this Honourable court, and whether Monarch is guilty of unlawful interference with contractual relations by encouraging the City of Calgary to draw upon letters of credit which it holds from Medican, rather than extend the deadline within which Medican may complete certain work at Sanderson; and
7. Whether Medican is in breach of the Agreement in:
 - (a) Failing to disclose the September 2010 NHW conciliation report regarding the deficiencies on the Sanderson project;
 - (b) Misrepresenting the status of the deficiency remedial work to NHW and Monarch;
 - (c) Failing to properly monitor and secure construction materials on the Sanderson project site;
 - (d) Failing to prevent and/or assisting 3rd parties from removing inventory and construction materials from the Sanderson project site; and
8. A determination of whether Monarch is entitled to rectify or revise the Agreement to extract more parking stalls from the Sanderson estate.

With regard to the policies of insurance issued by Aviva Insurance Company of Canada, represented by its agent National Home Warranty Group Inc. (collectively "NHW")

9. NHW issued two policies of insurance:
 - (a) Limited Construction Warranty Policy, Common Property, where the Condominium Corporation is the beneficiary (the "Condo Corp Policy"); and
 - (b) the Limited Construction Warranty Policy, Residential Unit Condominium (the "Unit Owner Policy");
10. Whether NHW is in breach of contract with Medican, acted in bad faith or committed a breach of fiduciary duty as a result of its purported "de-enrolment" of all unsold and unoccupied units in Sanderson from the Unit Owner Policy;
11. Whether Sanderson and the unit owners are entitled to a declaration of coverage under the Unit Owner Policy;

12. Whether the purported de-enrolment of units in Sanderson from the Unit Owner Policy is a violation of the stay of proceedings created by the Orders of this Honourable Court, and if so whether NHW is in contempt of this Honourable Court;
13. Whether NHW acted in bad faith or breached its fiduciary duty to the Condominium Corporation or breached its contract with Medican, or more than one of them, by failing to take adequate steps within a reasonable period of time to provide the coverage set out in the Condo Corp Policy to fund certain of the common area deficiencies as a result of NHW being concerned that it will not be able to recover under its indemnity against Medican; and
14. Whether NHW has breached its contractual obligation to the Condominium Corporation pursuant to the Condominium Corporation policy in three respects:
 - (a) whether it has failed to invoke its conciliation procedure for all common property deficiencies for which it received written notification within the one year coverage of the Condominium Corporation policy and thereafter failed to rectify such deficiencies as should have been confirmed in the conciliation process;
 - (b) whether NHW has responsibility to rectify additional deficiencies properly related to and part of acknowledged deficiencies; and
 - (c) whether the failure of NHW to rectify deficiencies acknowledged to be within the Condominium Corporation policy coverage in August, 2010 has caused consequential or exacerbated damages to the common property for which NHW should have responsibility.
15. Whether Medican is in breach of an agreement with Builder, the condominium corporation Policy and the Unit Owner Policy as a result of:
 - (a) Building a condominium that was not constructed in accordance with the Alberta Building Code;
 - (b) Failing to notify NHW of the issuance of Safety Code violations by the City of Calgary and failing to promptly remedy the Safety Code violations;
 - (c) Failing to notify NHW of deficiencies in the construction of the common property and various units promptly;
 - (d) Failing to remedy the deficiencies in the construction of the common property and various units;
 - (e) Failing to deliver certificates of possession to NHW on the completion of the sale of units to purchasers; and

- (f) Whether the failure to notify NHW and remedy the Safety Code violations and the deficiencies was a breach of the duty of utmost good faith owed by Medican to NHW;

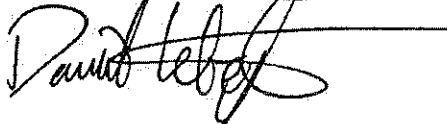
With regard to the Condominium Corporation

16. Whether the special assessments allegedly levied against units owned by Sanderson are in violation of the Stay of Proceedings created by the Orders of this Honourable Court, and if so whether the Condominium Corporation is in contempt of this Honourable Court;
17. Whether the special assessments are valid and enforceable; and
18. The priority of the Condominium Corporation in respect of those special assessments compared to the pre-existing encumbrances against those units.

We anticipate that two full days will be necessary for the hearing of these issues, but that an organizational hearing of approximately one hour will be necessary to establish initial procedural and scheduling issues. In this latter regard we request that your assistant contact the undersigned with some potential dates when your lordship may be available in advance of August 15, 2012.

Yours respectfully,

FRASER MILNER CASGRAIN LLP



DAVID LEGEYT

DLG/gw
Enclosure

- c.c. National Home Warranty Program c/o Duncan & Craig LLP – Attn: Mr. B. Wallace (via email)*
c.c. Monarch Land Ltd. c/o Miles Davison LLP – Attn: Mr. T. Czechowskyj (via email)
c.c. Sanderson Condominium Corporation c/o McLeod & Co. LLP – Attn: Mr. J. Polley (via email)
c.c. Harbour Mortgage Corp. c/o McCarthy Tétrault LLP – Attn: Mr. S. Collins (via email)
c.c. IMOR Capital Corp. c/o Lawson Lundell LLP – Attn: Ms. H. Ferris (via email)
c.c. RSM Richter Inc. – Attn: Mr. R. Taylor (via email)
c.c. Burnet, Duckworth & Palmer LLP – Attn: Ms. Carole Hunter (via email)
c.c. FMC-Law – Attn: Messrs. J. Pfaefflin/D. Mann (via email)

Terry L. Czechowskyj
Direct Line: (403) 298-0326
Email: tczech@milesdavison.com
Assistant: Brenda McMillan
Direct Line: (403) 298-0381
Our File No. 25881

July 20th, 2012

The Calgary Court Centre
24th Floor, 601- 5th Street SW
Calgary, AB T2P 5P7

Attention: The Honourable Madam Justice K.M. Horner

Dear Madam:

Re: In the Matter of the CCAA proceedings of the Medicam group

As you may be aware an application regarding the Sanderson project deficiencies had been set down for a full day hearing for July 10,2012 before you. Unfortunately not all counsel were available and the application was withdrawn. I understand you are now not sitting until the fall and as such would request leave to set down the application on the commercial list for Wednesday August 15,2012 for the afternoon.

Should you have any further questions, please do not hesitate to contact the writer.

Yours truly,
MILES DAVISON LLP

Per: Terry L. Czechowskyj

TLC:egv

Enclosures