

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

Clerk's Stamp

APPLICANTS **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 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. (COLLECTIVELY, "THE MEDICAN GROUP OF COMPANIES")**

DOCUMENT **REPORT TO THE COURT BY RSM RICHTER INC. AS CCAA MONITOR OF THE MEDICAN GROUP OF COMPANIES DATED MAY 5, 2011 IN RESPECT OF AXCESS (GRANDE PRAIRIE) DEVELOPMENTS LTD.**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

  
3700 Canterra Tower  
400 Third Avenue SW  
Calgary, Alberta T2P 4H2  
Phone: 403-267-8222  
Fax: 403-264-5973  
Attention: Howard A. Gorman  
File No. 267783

# TABLE OF CONTENTS

INTRODUCTION.....	1
Purpose of this Report	1
Terms of Reference	2
Currency	2
BACKGROUND .....	2
AXXESS (GRANDE PRAIRIE) DEVELOPMENTS LTD.....	3
CONCLUSION AND RECOMMENDATION .....	5

**REPORT BY RSM RICHTER INC.  
AS CCAA MONITOR OF  
THE MEDICAN GROUP OF COMPANIES  
IN RESPECT OF  
AXXESS (GRANDE PRAIRIE) DEVELOPMENTS LTD.**

**May 5, 2011**

## **INTRODUCTION**

1. On May 26, 2010, the Court of Queen's Bench of Alberta ("Court") issued an order ("Initial Order") granting The Medican Group of Companies ("Medican Group" or the "Company") protection pursuant to the *Companies' Creditors Arrangement Act* ("CCAA") (the "CCAA Proceedings"). RSM Richter Inc. was appointed monitor ("Monitor") under the Initial Order.
2. Pursuant to a Court order made on March 31, 2011, the stay of proceedings under the Initial Order was extended to May 31, 2011.
3. The primary purposes of the CCAA Proceedings are to protect Medican Group's business and operations, to allow Medican Group an opportunity to realize value from its construction and development projects and to facilitate a restructuring of its business, all under a Court-supervised process.

### **Purpose of this Report**

4. The purpose of this report ("Report") is to advise the Court of certain matters in respect of the Axxess (Grande Prairie) Developments Ltd. project.

**Terms of Reference**

5. In developing this Report, the Monitor has relied upon unaudited financial information prepared by the Company's management, the Company's books and records and discussions with its management. The Monitor has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the *Canadian Institute of Chartered Accountants Handbook* has not been performed. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events. Actual results achieved may vary from this information and these variations may be material, and as such the Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Monitor in preparing this Report.

**Currency**

6. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

**BACKGROUND**

7. Medican Group is a private group of companies in the real estate construction and development business. The Company currently owns, operates and/or manages several projects in British Columbia, Alberta, and Quebec.
8. Additional background information is included in previous materials filed with the Court in these CCAA Proceedings, including the previous reports filed by the Monitor. Materials filed with the Court can be found on the Monitor's website at [www.rsmrichter.com](http://www.rsmrichter.com).

**AXXESS (GRANDE PRAIRIE) DEVELOPMENTS LTD.**

9. Axxess (Grande Prairie) Developments Ltd. ("AGP") is a completed condominium development located in Grande Prairie, Alberta. It comprises 177 units in three phases.
10. As at the date of the Initial Order there were 9 units of AGP ("AGP Units") remaining that had not been sold. Six of the AGP Units were rented and three were unoccupied. The condominium market in Grande Prairie remains depressed. The 9 AGP Units have been marketed for sale since 2008. The Company was unable to sell the remaining AGP Units and took steps to rent as many of the 9 AGP Units as possible.
11. On June 24, 2010, the company received a listing proposal from a local real estate brokerage firm, which included recommendations in respect of suggested listing prices for the AGP Units. The AGP units were listed for sale on August 4, 2010 with Re/Max Grande Prairie (the "Realtor").
12. Since listing the AGP Units with the Realtor, three Units have sold and closed. From the sales proceeds realized, outstanding condominium fees owed on the specific AGP Unit sold were paid to the condominium corporation. Two additional Units have sold but have not closed. The Realtor continues to actively market the AGP Units for sale.
13. The Canadian Imperial Bank of Commerce ("CIBC") was one of the Company's primary construction lenders. CIBC holds blanket security against seven of the Company's projects. As at the date of this Report, CIBC is owed \$8,682,379 (principal and interest) under its blanket security, with the amount owing by AGP totalling \$1,441,500.
14. Condominium Corporation No. 0627724 ("Condo Corp.") was created on the registration of the AGP condominium plan. The Monitor understands that the Condo Corp. is seeking to obtain funds to repair alleged deficiencies at AGP and believes it is entitled to obtain

these funds, in priority to any other party, from the sales proceeds to be realized on the sale of the remaining 6 AGP Units. Two AGP Unit sales have been prevented by the actions of the Condo Corp.; it refused to issue estoppel certificates and certificates of insurance. Furthermore, on April 14, 2011 the Condo Corp. registered caveats against the 6 unsold AGP Units.

15. The Condo Corp. is attempting to lift the stay established by the Initial Order, seeking an Order of this Honourable Court requiring AGP to pay sufficient funds in respect of the alleged deficiencies, bringing current all Unit assessments and attempting to have any plan of arrangement for AGP advanced by the Medican Group be separated from any global plan advanced by the Medican Group.
16. The steps undertaken by the Condo Corp. and the relief it is seeking are prejudicial to the Medican Group, CIBC and other Medican Group creditors.
17. Any AGP Unit assessment is paid when an AGP Unit is sold. AGP does not have the funds to rectify the deficiencies nor does it have the funds to pay the AGP Unit assessments.
18. With respect to the alleged deficiencies, the Condo Corp. should pursue those through the proof of claim process established in these proceedings rather than attempting to circumvent the process. If and when a plan of arrangement and compromise is advanced to the Medican Group's creditors, the claims of the various creditors, including the claim of the Condo Corp., will be considered.
19. With respect to CIBC, if it does not recover the \$1,441,500 owed by AGP, it will look to the other projects pursuant to its blanket security. Those projects secured by CIBC's security are Sanderson of Fish Creek, Sitara on the Pond, Canvas at Millrise, Riverstone, and Axxess Sylvan Lake. There are secured creditors on those projects that rank subordinate to CIBC. Those creditors will be negatively impacted to a significant extent if

CIBC must look to these other Medican Group projects to recover amounts owed by AGP. Furthermore, some of the aforementioned projects may be integral to the Company's plan of arrangement and compromise that is being developed. Saddling those projects with additional debt may impact the Company's ability to advance such a plan for the benefit of all its creditors.

## CONCLUSION AND RECOMMENDATION

20. The Monitor is of the view that the Company continues to act in good faith and with due diligence. The Monitor supports the Company's application and the application of CIBC that any fees or other amounts payable to the Condo Corp. are subordinate to CIBC's secured claim. The Monitor opposes the application of the Condo Corp.

\* \* \*

All of which is respectfully submitted this 5<sup>th</sup> day of May, 2011.



**RSM RICHTER INC.  
IN ITS CAPACITY AS CCAA MONITOR OF  
THE MEDICAN GROUP OF COMPANIES  
AND NOT IN ITS PERSONAL CAPACITY**