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The Creditors of the Medican Group of Companies

27 November 2015

Re: Plan of Compromise and Arrangement (the "Plan")
Companies' Creditors Arrangement Act ("CCAA Proceedings")

As creditors are aware, on May 26, 2010, the Medican Group made an initial application to the Court of Queen's Bench of Alberta (the "Court") and was granted an Order (the "Initial Order") under the CCAA to stay proceedings against the Medican Group and allow it time to develop its plan.

After a significant undertaking to change all senior management and downsize the business, the Medican Group filed its Plan on December 5, 2011. At the January 11, 2012 Creditor's Meeting to consider the Plan, the Plan, with some minimal amendments that had no adverse financial or economic impact to the creditors, was approved by the requisite number and value of creditors voting on the Plan. The Plan was sanctioned by the Court on January 13, 2012.

Implementation of the Plan was conditional on several events that were outlined in the Plan. As a result of a number of unforeseen events, the Plan was not implemented until April 5, 2013.

The basic provisions of the Plan were to allow the Medican Group's business to continue for the benefit of its employees, the Medicine Hat community generally and to provide a recovery to the Medican Group creditors superior to that which would be received by creditors in a bankruptcy scenario.

The Plan provided that the Medican Group (continued on by SuccessorCo) would establish a fund of not less than $10 million to be available for distribution to creditors (the "Fund"). The Fund was to comprise semi-annual contributions by SuccessorCo based on a percentage of consolidated net income. The Fund was to be held by the Monitor and the Monitor would make distributions from the Fund when deemed necessary or advisable and when the Fund accumulation reached $1.0 million.

Since implementing its Plan, SuccessorCo has not met the consolidated net income threshold required to make contributions to the Fund.

SuccessorCo experienced problems obtaining new projects. The Monitor is advised that SuccessorCo subsequently changed its name to Penrose. Penrose had difficulty securing financing to obtain new projects. Penrose did manage to obtain some construction projects; however, they were small, did not generate significant net income and also did not require financing. Larger more profitable projects remained out of reach as Penrose was unable to obtain appropriate financing.

Building a better working world

Despite continued attempts to solicit construction projects and obtain financing, Penrose was unable to do so such that it would never be able to implement its Plan. Consequently, Penrose began winding down its operations with all construction projects being completed by September 2015.

Penrose, with the assistance of its legal counsel and the Monitor, are currently winding up all matters surrounding Penrose, including addressing all outstanding Penrose claims and finalizing various tax returns. The Monitor will communicate with creditors in the first quarter of 2016 once the outcome of the aforementioned matters is clearer.

Yours very truly,

Robert J. Taylor, FCA•CIRP
Partner/Senior Vice President

Attachment
Copy to: Mr. David Mann, Dentons LLP
Mr. Howard Gorman, Norton Rose Fulbright LLP