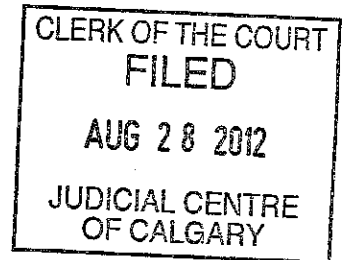


COURT FILE NUMBER 1001-07852
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANTS



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 TWENTIETH REPORT TO THE COURT

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Sanderson Project Cash Flow“A”

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. (now Ernst & Young Inc.) was appointed monitor ("Monitor") under the Initial Order.
2. Pursuant to a Court order made on July 27, 2012 the stay of proceedings in respect of MCAP Financial Corporation, in relation to Medican (Westbank) Development Ltd., Medican (Westbank) Land Ltd. (collectively the "Kaleido Project") and Sanderson of Fish Creek (Calgary) Developments Ltd. (the "Sanderson Project") was extended to August 31, 2012.
3. The Medican Group filed its Plan of Compromise and Arrangement dated November 30, 2011 on December 1, 2011. The Plan did not include the Sanderson Project or the Kaleido Project.
4. On January 11, 2012, a substantial majority of Affected Creditors voted in favour of the Amended Plan of Compromise and Arrangement (the "Plan") and on January 13, 2012, the Court issued an order (the "Sanction Order") approving the Medican Group's Plan.
5. Capitalized terms not defined in this Twentieth Report are as defined in all orders previously issued in respect of these CCAA Proceedings and in the Plan.

Purpose of this Report

6. The purpose of this report ("Report") is to:
 - a. Provide an update on the Company's progress since the Monitor's Nineteenth Report;
 - b. Provide a status update in respect of the Sanderson Project; and
 - c. Respectfully recommend that this Honourable Court grant an order extending the CCAA Proceedings for the Sanderson Project and the Kaleido Project from August 31, 2012 to November 30, 2012.

Terms of Reference

7. 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

8. All currency references in this Report are in Canadian dollars.

BACKGROUND

9. The Medican Group comprised several private companies engaged in the real estate construction and development business. The Company currently owns, operates and/or manages projects ("Projects") in Alberta and British Columbia.
10. 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 <http://documentcentre.eycan.com/Pages/Main.aspx?SID=196>.

COMPANY'S ACTIVITIES

11. A Summary of the Company's progress since the Monitor's Nineteenth Report to Court dated July 24, 2012 included:
 - a. Continued to market for sale the remaining five residential condominium units ("Units") in three Projects (Sanderson Project – two Units, Sylvan Lake Project – one Unit and Sitara Project – two Units);

- b. Provided regular reporting on Sanderson Unit sales to Harbour Mortgage Corp. (“Harbour”), Imor Capital Corp. (“Imor”), and the Canadian Imperial Bank of Commerce (“CIBC”);
 - c. Continued to provide stakeholders with updates as required;
 - d. Continued to work towards the closing of the arrangement with SuccessorCo pursuant to the Plan; and
 - e. Engaged in ongoing negotiations with various stakeholders in respect of the deficiencies affecting the Sanderson Project such that a plan of compromise and arrangement can be finalized and placed before creditors for consideration.
12. Certain of the above activities are discussed in greater detail herein.

MEDICAN (WESTBANK) LAND LTD.

13. The Kaleido Project is a condominium development project located in Westbank, British Columbia. The Company planned to develop a seven-phase, 717 unit condominium complex on the subject lands.
14. Phase 1, 2 and 3 are financed by MCAP Financial Corporation (“MCAP”). Phase 4-7, which is raw land, is financed by Zolton and Margaret Majoros (“Majoros”).
15. On December 5, 2011, this Honourable Court granted an Order lifting the stay of proceedings and granting leave to MCAP to appoint a receiver in respect of Phase 1, 2 and 3. Phase 1, 2 and 3 are in receivership in a separate proceeding.
16. Majoros is in the process of foreclosing on the Phase 4-7 lands in a separate proceeding.
17. The only connection that the Kaleido Project has to the Company’s CCAA Proceedings is in respect of the allocation matter among the various Medican Projects relating to the Priority Charges. An agreement on the allocation matter has not been reached and it is unlikely this matter can be addressed until such time as the Kaleido Project Phases are sold.

18. Accordingly, the Monitor recommends that this Honourable Court extend the CCAA Proceedings for Medican (Westbank) Development Ltd. and Medican (Westbank) Land Ltd. from August 31, 2012 to November 30, 2012.

SANDERSON OF FISH CREEK (CALGARY) DEVELOPMENTS LTD.

19. The Project known as “Sanderson of Fish Creek” is located in Calgary, Alberta. It is to consist of five phases with a total of 352 Units. The Sanderson Project was established in multiple phases referred to as Phases 1, 2, 3, 4A and 4B. The Sanderson Project also included certain adjacent lands (“Church Lands”).
20. Several lenders hold various forms of security against the Sanderson Project and unsold Units. Monies are also owed to unsecured lenders and trade suppliers.
21. Two Units remain unsold and Medican is actively marketing the Units for sale. Two Units are sold but have not yet closed.

Phase 1 and 2

22. Although Harbour holds a first charge on one unsold Unit in Phase 1 and 2, Harbour has now been paid in full. Imor has received the balance of the funds from the last closing and now has a first charge on the one remaining Unit. The Company’s legal counsel also holds funds relating to a per door bonus holdback. There was a question in respect of priority to those funds between Harbour and Imor. As Harbour has now been paid in full, the priority to the per door bonus holdback has been resolved and funds will be paid to Imor in respect thereof shortly.
23. The Units in Phase 1 and 2 have now been completed. The budgeted costs to complete unsold Units was approved by Harbour, Imor and this Honourable Court on March 31, 2011, were understated and did not reflect the actual costs being incurred by Medican to complete construction. The primary difference in respect of the costs relates to the time spent by Medican employees on direct and indirect supervision of the Project. Updated costs to complete totaled approximately \$50,000 more than the initial estimate. The updated costs were provided to Harbour and Imor (and to CIBC in respect of Phase 4A). Imor refused to approve the increased costs.
24. Sales of the remaining Units could not close unless construction was completed on those Units. The Monitor was of the view that engaging a contractor other than Medican to complete construction on the Units would be much more costly than the

updated costs to complete provided by Medican. An alternative contractor would not have been familiar with the construction of the project and would likely have had to engage alternative sub-trades to complete the Units. Accordingly, the Monitor requested that Medican complete the Units based on the updated costs to complete so that sales of the Units could be concluded.

25. Sales of the Units in Phase 1 and 2 were impeded due to construction deficiencies totaling approximately \$1.5 million not being rectified and the requirement to withhold \$41,029.41 (the “Deficiency Withholding”) from the sale of each Unit (including Phase 4A Units) so that the Sanderson Project Condominium Corporation would issue estoppel certificates on sold Units. Funds held in trust by Medican’s legal counsel in respect of the Deficiency Withholding total \$1,025,735.25. Additional funds will be added to the Deficiency Withholding upon sale of the Sanderson Project’s two remaining Units.
26. The Medican Group continues to provide weekly update reports to Harbour and Imor in respect of sales of Units.

Phase 4A

27. One Unit remains for sale. Sales of the Phase 4A Units have been affected by the same issues affecting the Phase 1 and 2 Units.
28. The Company is providing weekly update reports to CIBC in respect of its sales of Units.

Deficiencies

29. The Company completed the Court-approved transaction (the “Monarch Transaction”) with Monarch in respect of Phase 3 and 4B of the Sanderson Project and the Church Lands in January 2011 providing Medican with a net profit interest in the Sanderson Project (the “NPI”). The Company’s share of the NPI on the build out of the Sanderson Project is estimated to be in the range of \$1.0 to \$3.0 million.
30. One of the terms and conditions of the Monarch Transaction was that Monarch would fund and complete the deficiencies in respect of the common property up to a maximum of \$600,000. As the Monitor has previously advised this Honourable Court, it was both the Monitor’s and the Company’s understanding that if the deficiencies exceeded \$600,000, Monarch would fund and complete those deficiencies (the “Additional Deficiencies”) and deduct the costs from the Medican

Group's profits to be realized upon the build out and sale of the Units to be constructed in Phase 3 and 4B.

31. An independent assessment of the deficiencies by both Monarch and the Company suggests that the Sanderson Project deficiencies are approximately \$1.5 million, not the \$600,000 initially estimated.
32. Negotiations between the Company and Monarch have continued with the view to reaching some consensus on rectification of the deficiencies; however, no agreement has been reached.
33. The deficiency matters are a priority dispute and are relevant to the amounts that are owed by Sanderson of Fish Creek to the secured creditors. Whether the Deficiency Withholdings rank in priority to the secured creditors is a legal argument that will have to be sorted out before the Court. The Monitor is advised that a litigation schedule has been proposed that provides for Briefs to be filed by October 12, 2012 with a hearing booked shortly thereafter.
34. A Plan of compromise and arrangement cannot be advanced in respect of the Sanderson project until such time as the deficiency matter is resolved. Accordingly the Monitor supports an extension of the CCAA Proceedings for the Sanderson Project to November 30, 2012 pending the filing of Briefs and the Monarch Court hearing. Counsel for various affected parties have agreed upon a schedule for filing of materials, conduct of questioning and filing of briefs to allow a hearing in the fall of 2012 if the issues are not settled.
35. In respect of the Monarch Transaction, Monarch has suggested that parking stalls in phases 1, 2 and 4A were oversold, that it was not provided with a sufficient number of parking stalls for Phase 3 and 4B and it should be entitled to additional parking stalls. The parking stalls have not been oversold and there are approximately 47 excess parking stalls remaining in Phase 1, 2 and 4A. Those parking stalls are available for sale and may have a realizable value in excess of \$500,000. It is the Monitor's view that the remaining parking stalls should be sold for the benefit of the Sanderson Project secured creditors and stakeholders and not simply be awarded to Monarch. A hearing related to the allocation of parking stalls was scheduled for September 11, 2012; however, the hearing date will be rescheduled to a later date to allow for certain documentation in respect of the Sanderson Project to be located and provided to the various affected parties.

PLAN IMPLEMENTATION

36. The Implementation of the Company's Plan was conditional on a number of events set forth in section 7.1 of the Plan. The Monitor understands that the closing documents have now been executed by Medican such that the Company's Plan is expected to be implemented by the end of this week.
37. The Monitor will then commence its review of the Disputed Claims in accordance with the Claims Procedure Order within 60 days of the Plan Implementation Date.
38. The Monitor expects to file with this Honourable Court the Monitor's Certificate in accordance with section 7.3 of the Plan stating that Plan Implementation has occurred in accordance with all its terms and conditions forthwith after closing.

CASH FLOW

39. The Cash Flow in respect of the Sanderson Project is attached as Appendix "A". The Sanderson Project Cash Flows are derived from the sales of Units. The Company incurs certain marketing and administrative expenses in connection with managing and marketing the Units. Provided the Company recovers its actual monthly costs, the Sanderson Project will be cash flow neutral.
40. The Monitor assisted the Company with the preparation of the Sanderson Project Cash Flow. The Cash Flow is predicated on the Sanderson Project continuing to operate in the normal course in the context of the CCAA Proceedings. The Monitor reviewed the Cash Flow and its underlying assumptions and concluded that it is reasonable in the circumstances.

CONCLUSION AND RECOMMENDATIONS

41. The Monitor is of the view that the Company continues to act in good faith and with due diligence in respect of implementing its Plan and in respect of the Sanderson Project.

42. Accordingly, the Monitor respectfully recommends that this Honourable Court make an order granting the relief requested in Section 6 c) of this Report.

* * *

All of which is respectfully submitted this 28th day of August, 2012.

**ERNST & YOUNG INC.
IN ITS CAPACITY AS CCAA MONITOR OF
THE MEDICAN GROUP OF COMPANIES
AND NOT IN ITS PERSONAL CAPACITY**

A handwritten signature in black ink, appearing to be 'R. Taylor', written over the printed name.

Robert J. Taylor, CA•CIRP
Senior Vice-President

Sanderson of Fish Creek (Calgary) Developments Ltd.
Projected Statement of Cash Flow to November 30, 2012
(\$Cdn, Unaudited)

	Notes	31-Aug	07-Sep	14-Sep	21-Sep	28-Sep	October	November	Total
Receipts									
Marketing/Administrative fee	1	-	-	-	-	-	-	9,811	9,811
Cost to complete reimbursement	2	83,385	-	-	-	-	-	39,244	122,629
Total Receipts		83,385	-	-	-	-	-	49,055	132,440
Disbursements									
Trades	2	83,385	-	-	-	-	-	39,244	122,629
Marketing	3	700	-	700	-	700	1,400	1,400	4,900
Overhead costs	3	2,948	295	295	295	295	1,180	1,184	6,492
Utilities and phones	3	350	-	350	-	-	350	350	1,400
Total Disbursements		87,383	295	1,345	295	995	2,930	42,178	135,421
Total Net Cash In/(Out)		(3,998)	(295)	(1,345)	(295)	(995)	(2,930)	6,877	(2,981)
Opening Cash Position	4	2,981	(1,017)	(1,312)	(2,657)	(2,952)	(3,947)	(6,877)	2,981
Closing Cash Position		(1,017)	(1,312)	(2,657)	(2,952)	(3,947)	(6,877)	-	-

Sanderson of Fish Creek (Calgary) Developments Ltd.
Notes to Projected Statement of Cash Flow to November 30, 2012
(\$Cdn, Unaudited)

1. The \$4,500 administrative per unit holdback was insufficient to cover Medican's overhead costs. CIBC and Harbour have agreed to reimburse Medican for actual costs incurred. Fraser Milner Casgrain currently holds \$25,744.69 in respect of the holdback which is expected to be released to Medican next week.
2. Medican is reimbursed for expenses paid to trades and suppliers to complete construction of units from the unit sales proceeds.
3. Estimated based on Medican's current marketing budget.
4. Actual monthly marketing and administrative costs were greater than the \$4,500 held back from the sale of each unit resulting in a negative opening cash balance. Assuming that Medican will recover its actual monthly marketing and administrative costs in the future, the Sanderson Project will be cash flow neutral.