

Action No.: 1001-07852  
Deponent: Tyrone Schneider  
Date Sworn: July 27, 2010

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE OF 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**

**AFFIDAVIT**

I, Tyrone Schneider, of the City of Medicine Hat, in the Province of Alberta, **MAKE OATH AND SAY THAT:**

***Introduction***

1. I am the president of 1539319 Alberta Ltd., the restructuring consultant to all of the Petitioners (the "Consultant") retained 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 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 Notice of Motion served by the Medican Group in these proceedings on July 27, 2010 (the "Motion") for the following relief:

(a) Orders, substantially in the form as attached to the Motion as Schedules "A" and "B", seeking bid procedures in respect of:

(i) Phase 2 & 3 of the Terwillegar Project, as herein defined; and

(ii) Phases 2 and 3 of the Axxess Sylvan Lake Project, as herein defined,

by which the Medican Group can solicit offers to purchase those properties (the "**Bid Procedure Orders**").

(b) an Order, substantially in the form as attached to the Motion as Schedule "C", approving the financing arrangement between Medican (Edmonton Terwillegar) Developments Ltd. ("**Terwillegar**") and Macdonald Terwillegar Properties Ltd. ("**Macdonald Terwillegar**") outlined in the Macdonald Loan Amendments (as herein defined) with respect to Terwillegar and the Terwillegar Project (as herein defined) and granting the Macdonald Terwillegar Charge (as herein defined);

(c) an Order, substantially in the form as attached to the Motion as Schedule "D", approving the financing arrangement between Canvas (Calgary) Developments Ltd. ("**Canvas Calgary**") and Macdonald Canvas Properties Ltd. ("**Macdonald Canvas**") outlined in the Macdonald Loan Amendments (as herein defined) with respect to Canvas and the Canvas Project (as herein defined) and granting the Macdonald Canvas Charge (as herein defined);

- (d) an Order, substantially in the form as attached to the Motion as Schedule “E”, approving the financing arrangement between Sanderson of Fish Creek (Calgary) Developments Ltd. (“**Sanderson**”) and Canadian Imperial Bank of Commerce (“**CIBC**”) outlined in the CIBC Loan Amendment (as herein defined) with respect to Sanderson and the Sanderson Project (as herein defined) and granting the CIBC Sanderson Charge (as herein defined); and
- (e) an Order, substantially in the form as attached to the Motion as Schedule “F”, granting investigation powers to the Monitor in these proceedings (the “**Examination Order**”).

4. I have had the opportunity to review the third report of RSM Richter Inc., the court appointed monitor of the Medican Group, dated July 27, 2010 (the “**Third Report of the Monitor**”), and I agree with the summaries of the Development Projects and the recommendations provided therein.

*The Bid Procedure Orders*

5. As outlined in the Third Report of the Monitor, there are projects which the Monitor, in consultation with the secured financiers and the Medican Group, has determined would be unprofitable to continue with the proposed construction and would yield the most for the stakeholders of the Medican Group through an organized sales process.

6. In particular, the Monitor has recommended the following phases of certain Development Projects should be sold through an organized sales process:

- (a) Phases 2 & 3 of Axxess Terwillegar, a three phase condominium Development Project located in Edmonton, Alberta (the “**Terwillegar Project**”); and
- (b) Phase 2 & 3 of Axxess Sylvan Lake, a Development Project that was planned to be a three phase condominium development project located in Sylvan Lake, Alberta (the “**Axxess Sylvan Lake Project**”)

(collectively, the “**Proposed Sale Properties**”).

7. The Medican Group, with the assistance of the Monitor, developed the sales procedure in the Bid Procedure Orders whereby the Proposed Sales Properties will be marketed for sale through a bid process overseen by the Monitor.

8. The Bid Procedure Orders are necessary to maximize the value in the Proposed Sale Properties. The terms of the Bid Procedure Orders are acceptable to the Medican Group and I do verily believe are fair and reasonable in the circumstances, generally consistent with sales procedures in other similar circumstances, and are in the best interests of the Medican Group and its stakeholders. Further, I have been informed by the Monitor that it supports this proposed sales procedure.

### *Senior Priority Charge Orders*

#### The Projects

9. The Terwillegar Project is a Development Project that comprises a three phase condominium development project located in Edmonton, Alberta. Terwillegar is the owner of the subject lands, the Developer, and the primary borrower for the Terwillegar Project. The Medican Group will require approximately \$900,000 in additional funding to complete the construction of Phase 1 of the Terwillegar Project, which the Medican Group anticipates will be funded pursuant to the Macdonald Loan Amendments (discussed below).

10. Canvas at Milrise (Calgary) (the “**Canvas Project**”) is a Development Project that comprises a four phase condominium development project located in Calgary, Alberta. The Canvas Calgary is the owner of the subject lands, the Developer, and the primary borrower for the Canvas Project. The Medican Group will require approximately \$500,000 in additional funding to complete the construction of Phases 3 and 4, which the Medican Group anticipates will be funded pursuant to the Macdonald Loan Amendments (discussed below).

11. Sanderson at Fish Creek (the “**Sanderson Project**”) is a Development Project that comprises a four phase condominium development project located in Calgary, Alberta. Sanderson is the owner of the subject lands, the Developer, and the primary borrower for the Canvas Project. The Medican Group will require approximately \$1,250,000 in additional

funding to complete the construction of Phase 4A, which the Medican Group anticipates will be funded pursuant to the CIBC Loan Amendment (discussed below).

The Macdonald Loan Amendments and Charges

12. The Medican Group, with the assistance of the Monitor, is in discussions surrounding:

- (a) a loan amendment between Terwillegar and Macdonald Terwillegar with respect to the Terwillegar Project wherein Macdonald Terwillegar has agreed to finance the construction of Phase 1 of the Terwillegar Project, as outlined above; and
- (b) a loan amendment between Canvas Calgary and Macdonald Canvas with respect to the Canvas Project wherein Macdonald Canvas has agreed to finance the construction of the Phase 3 & 4 of the Canvas Project, as outlined above,

(collectively, the "**Macdonald Loan Amendments**"). The terms of the Macdonald Loan Amendments are being finalized and will be provided in a supplemental Affidavit as soon as they become available.

13. It is a term of the Macdonald Loan Amendments that Macdonald Terwillegar be granted a charge over the Terwillegar Project (the "**Macdonald Terwillegar Charge**") in priority to the DIP Lender's Charge, the Administration Charge and the Directors' Charge, as defined in the Initial Order granted in these proceedings on May 26, 2010, as security for the additional funding.

14. The Macdonald Loan Amendments contemplate that the net sale proceeds from the units of the Terwillegar Project are to be held or distributed in the priority as follows:

- (a) to repay to Macdonald Terwillegar the monies advanced by Macdonald Terwillegar under the Macdonald Loan Amendments to complete construction of Phase 1 of the Terwillegar Project;
- (b) upon repayment of all monies advanced by Macdonald Terwillegar under the Macdonald Loan Amendments, the sum of \$8,500 from each condominium sale will be paid to Fraser Milner Casgrain LLP, the solicitors for the Medican Group,

and held in a separate trust account for the benefit of the holders of the DIP Lender's Charge, the Administration Charge and the Directors' Charge;

- (c) from each condominium unit of the Terwillegar Project sold, funds will be paid to Macdonald Terwillegar to reduce the outstanding principal, interest and fees owing pursuant to the existing security granted to Macdonald Terwillegar as against the Terwillegar Project;
- (d) the balance of the funds, if any, will be paid in favour of valid and enforceable security interests against the Terwillegar Project, in accordance with their lawful priority; and
- (e) once all valid and enforceable charges against the Terwillegar Project are paid, the remaining sales proceeds, if any, will be paid to Fraser Milner Casgrain LLP, to be held in trust until further Order of this Court.

15. It is a term of the Macdonald Loan Amendments that Macdonald Canvas be granted a charge over the Canvas Project (the "**Macdonald Canvas Charge**") in priority to the DIP Lender's Charge, the Administration Charge and the Directors' Charge as security for the additional funding.

16. The Macdonald Loan Amendments contemplate that the net sale proceeds from the units of the Canvas Project are to be held or distributed in the priority as follows:

- (a) to repay to Macdonald Canvas the respective monies advanced by Macdonald Canvas under the Macdonald Loan Amendments to complete construction Phases 3 and 4 of the Canvas Project;
- (b) upon repayment of all monies advanced by Macdonald Canvas under the Macdonald Loan Amendments, the sum of \$8,500 from each condominium sale will be paid to Fraser Milner Casgrain LLP, the solicitors for the Medican Group, and held in a separate trust account for the benefit of the holders of the DIP Lender's Charge, the Administration Charge and the Directors' Charge;

- (c) from each condominium unit of the Canvas Project sold, funds will be paid to Macdonald Canvas to reduce the outstanding principal, interest and fees owing pursuant to the existing security granted to Macdonald Canvas as against the Canvas Project;
- (d) the balance of the funds, if any, will be paid in favour of valid and enforceable security interests against the Canvas Project, in accordance with their lawful priority; and
- (e) once all valid and enforceable charges against the Canvas Project are paid, the remaining sales proceeds, if any, will be paid to Fraser Milner Casgrain LLP, to be held in trust until further Order of this Court.

The CIBC Loan Amendment and Charge

17. The Medican Group, with the assistance of the Monitor, are in the process of finalizing a loan amendment between Sanderson and CIBC with respect to the Sanderson Project wherein CIBC has agreed to finance the construction of Phase 4A of the Sanderson Project, as outlined above (the "**CIBC Loan Amendment**"). The terms of the CIBC Loan Amendment are being finalized and will be provided in a supplemental Affidavit as soon as they become available.

18. It is a term of the CIBC Loan Amendment that CIBC be granted a charge over the Sanderson Project (the "**CIBC Sanderson Charge**") in priority to the DIP Lender's Charge, the Administration Charge and the Directors' Charge as security for the additional funding.

19. The CIBC Loan Amendment contemplates that the net sale proceeds from the units of the Sanderson Project are to be held or distributed in the priority as follows:

- (a) to repay to CIBC the monies advanced by CIBC under the CIBC Loan Amendment to complete construction of Phase 4A of the Sanderson Project;
- (b) upon repayment of all monies advanced by CIBC under the CIBC Loan Amendment, the sum of \$8,500 from each condominium sale will be paid to Fraser Milner Casgrain LLP, the solicitors for the Medican Group, and held in a

separate trust account for the benefit of the holders of the DIP Lender's Charge, the Administration Charge and the Directors' Charge;

- (c) from each condominium unit of the Sanderson Project sold, funds will be paid to CIBC to reduce the outstanding principal, interest and fees owing pursuant to the existing security granted to CIBC as against the Sanderson Project;
- (d) the balance of the funds, if any, will be paid in favour of valid and enforceable security interests against the Sanderson Project, in accordance with their lawful priority; and
- (e) once all valid and enforceable charges against the Sanderson Project are paid, the remaining sales proceeds, if any, will be paid to Fraser Milner Casgrain LLP, to be held in trust until further Order of this Court.

#### Basis for the Financing

20. The Macdonald Terwillegar Charge, the Macdonald Canvas Charge, and the CIBC Sanderson Charge (collectively, the "**Senior Priority Charges**") were the subject of extensive negotiations and are critical to the respective lenders decision to provide their commitment to continue to advance funds pursuant to the Macdonald Loan Amendments and the CIBC Loan Amendment. The Senior Priority Charges are limited to the projects which the funds are being advanced to complete, and will not prejudice the other stakeholders of the Medican Group. Accordingly, the Medican Group is seeking Orders granting the Senior Priority Charges, as discussed above.

21. The proposed funding by Macdonald and CIBC is necessary to complete Phase 1 of the Terwillegar Project, Phase 3 & 4 of the Canvas Project, and Phase 4A of the Sanderson Project for the benefit of the Medican Group's stakeholders. Moreover, the proposed funding provides certainty with respect to the Medican Group's completion of these phases of these Development Projects and it provides confidence to the Medican Group's customers and stakeholders that viable Development Projects can be completed while the Medican Group restructures its affairs.



22. Advances pursuant to the Macdonald Loan Amendments and the CIBC Loan Amendment are to be advanced on the same terms that were negotiated in a competitive financial environment prior to the Medican Group being subject to these proceedings. These terms are acceptable to the Medican Group, and in the best interests of the Medican Group's stakeholders. Further, I have been informed by the Monitor that it supports these proposed financing arrangements.

23. The Medican Group has been in discussions with Paragon Capital Corporation Ltd. ("Paragon"), the DIP Lender in these proceedings, and Paragon has consented to the Senior Priority Charges. I have been informed by the Medican Group's counsel, and do verily believe, that the beneficiaries of the Administration Charge and the Director's Charge consent to the Senior Priority Charges.

***Investigation and Review***

24. As outlined in the Third Report of the Monitor, there are certain transactions whose nature and validity must be assessed in order to provide a fair and transparent restructuring for all stakeholders.

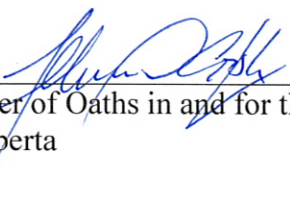
25. The Medican Group has requested, and the Monitor consents and agrees, to the Monitor investigating and reviewing the veracity of all transactions it deems necessary to review. In this regard, the Medican Group and the Monitor have determined it is in the best interest of the Medican Group to proceed with the Examination Order.

26. The Medican Group is working in good faith and with due diligence in these proceedings and it is within the best interests of the Medican Group and its stakeholders to continue in these proceedings as outlined above.

27. I make this Affidavit in support of an Application for the relief described in paragraph 3, above.

Sworn before me in the City of Calgary, )  
in the Province of Alberta, the 27<sup>th</sup> day )  
of July, 2010. )

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A Commissioner of Oaths in and for the )  
Province of Alberta )



**JOHN D. CRISP**  
Commissioner of Oaths  
My Commission expires March 21, 2012



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**TYRONE SCHNEIDER**

Action No. 1001-07852  
Deponent: Tyrone Schneider  
Date Sworn: July 27, 2010

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**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY**

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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

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**AFFIDAVIT**

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**FRASER MILNER CASGRAIN LLP**

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