RSM Richter

First Report to Court of
RSM Richter Inc. as CCAA Monitor of
The Medican Group of Companies

RSM Richter Inc.
Calgary, June 10, 2010

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Action No. 1001-07852

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT 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., AXXESS (GRANDE PRAIRIE) DEVELOPMENTS LTD., AXXESS (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")

FIRST REPORT OF RSM RICHTER INC. AS CCAA MONITOR OF THE MEDICAN GROUP OF COMPANIES

June 10, 2010

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. ("Richter") was appointed monitor ("Monitor") under the Initial Order.

2. The stay of proceedings under the Initial Order was granted for a limited period of time, to June 11, 2010, in order to allow the Company and the Monitor a brief opportunity to review and report on prospects for restructuring the Company's business and assets.

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 credit facilities, all under a court-supervised process.

Purpose of this Report

4. The purpose of this report ("Report") is to:

   a) Provide background information about the Company;

   b) Provide an update on the Company's restructuring efforts;

   c) Provide a status update on certain of the Company's development projects;

   d) Summarize the proposed terms under which a condominium project ("Legend Project") in Winnipeg, Manitoba being developed by The Legend (Winnipeg) Developments Ltd. ("Legend"), is to proceed;

   e) Outline proposed closing mechanics in respect of completed condominium units;

   f) Comment on the Company's projected statement of cash flow for the period ending September 3, 2010;

g) Support the Company's request for an extension of the CCAA Proceedings to August 12, 2010; and

h) Recommend that this Honourable Court make an order:

- Confirming that amounts payable to the Consultant (as hereinafter defined) are included in the obligations secured by the Administration Charge;
- Vesting in purchasers of condominium units, as of closing, title to the respective condominium units, free and clear of all liens, charges, security interests and other encumbrances ("Approval and Vesting Order") and directing applicable provincial land registration offices to register title to the condominium units in the names of such purchasers in accordance with a Monitor's certificate, or alternatively, requesting the assistance of Superior Courts in the Provinces where condominium units are located, in giving effect to the Approval and Vesting Order;
- Authorizing the Company to draw the remaining $1 million under the debtor-in-possession ("DIP") financial facility approved pursuant to the Initial Order;
- Approving a claims process based on the draft order, as filed ("Claims Process Order"); and
- Extending the stay of proceedings under the Initial Order to August 12, 2010.

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

Overview

7. Medican Group is a private group of companies in the real estate construction and development business. It currently owns, operates and/or manages over 30 projects in British Columbia, Alberta, Manitoba and Quebec.

8. The Company's corporate headquarters is located in Medicine Hat, Alberta, as is its managerial and administrative staff; additional employees are located at various project sites.

9. At the date of the Initial Order Medican Group had 128 employees. A significant number of these employees have been with the Company for many years. Since that date 21 employees have been terminated.

10. In April, 2010, the Company terminated the employment of certain members of its senior management team. A new team has recently been engaged under the direction of Tyrone Schneider ("Consultant"), the principal of 1539319 Alberta Ltd., a consultant engaged by the Company's counsel. Mr. Schneider has significant experience in business development and finance and has proven to be of great assistance to the Monitor and this restructuring.

11. In the Monitor's view, the retention of the Consultant is appropriate in the circumstances and amounts payable to the Consultant under its engagement are fair and reasonable. Accordingly, the Monitor recommends that the Consultant's compensation of $20,000 per month, plus expenses and an indemnity, be secured by the Administration Charge granted in the Initial Order.

Corporate Structure

12. Medican Group's structure is complex. A corporate organization chart was provided as Exhibit "A" to the affidavit of Wesley Reinheller, sworn May 25, 2010 (the "Reinheller Affidavit"), filed in connection with Medican Group's CCAA application materials.

13. Medican Group comprises two divisions:

   a) A residential development division ("Medican Projects") which develops condominium complexes mainly in western Canada; and

   b) A construction division ("Medican Construction") operating as a general contractor for several customers, including Medican Projects.

14. Both Medican Projects and Medican Construction carry on business under the Medican trade name, using the same marketing and branding, the same head office and the same accounting and other administrative services.

Medican Projects

15. Medican Projects operates two types of residential construction:

   a) Development of residential real estate as the owner of the land and the assets being developed ("Development Project"); and

   b) Construction of real estate projects under "Cost Plus" contracts on behalf of third-party owners of the land on which the project is being built ("Cost Plus Project").

16. A Development Project and a Cost Plus Project are sometimes referred to individually as a "Project" and collectively as the "Projects".

17. Medican Group is currently developing approximately 18 Development Projects. The Development Projects are at various stages of completion ranging from bare land for planned Projects, to land where construction has commenced with infrastructure in place, to fully completed Projects containing finished residential condominium units ("Units") currently for sale.

18. The Cost Plus Projects consist of three projects with Extendicare (Canada) Inc. ("Extendicare"), and three Projects known as the "Haven", "Okotoks" and "Millrise Rebuild" Projects owned by other parties. These are further discussed starting at paragraph 117 below.

19. Additional background information is included in the Report to Court filed by Richter as proposed Monitor dated May 26, 2010 ("Proposed Monitor's Report"), the Reinheller Affidavit and the affidavit of Mr. Schneider sworn June 10, 2010.

COMPANY'S ACTIVITIES

20. The Company has been focused on stabilizing its operations since the date of the Initial Order. Those efforts include:

a) Implementing controls, policies and procedures;

b) Reviewing each of the Projects to assess viability, asset values, associated obligations, costs to complete (where applicable) and required resources;

c) Cost reduction, such as employee layoffs, return of leased vehicles and assessing employee expense reimbursements;

d) Continuing to market Development Projects. In that regard, the Company, with the Monitor's approval, has accepted offers on 18 existing or under-construction

Units since the date of the Initial Order. A schedule identifying these Unit sales is provided as Appendix "A";

e) Meeting with certain Company lenders; and

f) Advising stakeholders that the Company is continuing to operate on a business as usual basis in the context of these CCAA Proceedings.

CREDITORS

21. The Company, with the assistance of the Monitor, has been compiling information with respect to its obligations. Further details are provided below.

Secured Lenders

22. The Company has an interest in approximately 18 Development Projects in various stages of completion. The Development Projects are subject to different types of credit facilities depending on, among other things, the status of a particular property. Based on the Company's records, the Projects are subject to facilities with 14 secured lenders with estimated obligations totalling approximately $110 million as at May 31, 2010. Many of the security agreements include multiple guarantors, cross collateralization, priority and subordination agreements and extend to numerous legal entities within Medican Group.

23. In accordance with the Initial Order, the Company is stayed from making interest or principal payments.

24. Since the date of the Initial Order, the Company and the Monitor have met or been in discussions with several lenders, including Canadian Imperial Bank of Commerce ("CIBC"), MCAP, Toronto-Dominion Bank ("TD Bank"), Harbour Mortgage Corp. ("Harbour"), Monarch Land Ltd. ("Monarch"), Macdonald Development Corporation, Paragon Capital Corporation Ltd. ("Paragon" or the "DIP Lender") and 933680 Alberta Ltd. ("933680").

25. The Monitor's counsel, Macleod Dixon LLP ("Macleod"), has requested security document packages from certain of the Company's lenders. Macleod is in the process of reviewing security documents it has received from the Company and lenders.

26. The Monitor is also requesting confirmation from each of the lenders of principal and interest balances owing to them in the aggregate and on a per Unit basis, where applicable, based on their records.

Property Taxes

27. Based on the Company's records, it owed approximately $500,000 in municipal taxes on lands related to various Projects as at December 31, 2009. A schedule summarizing these obligations is provided as Appendix "B". Interest and penalties accrue on these amounts. The Company has not made municipal tax payments for unsold lands in 2010.

Condominium Association Fees

28. The Company owns Units at various Development Projects. In most cases those Units are being marketed for sale. The Company has not been paying the associated condominium fees until a Unit is sold. Accordingly, the Company estimates that it owes in excess of $200,000 in unpaid condominium fees. The Company is unable to complete a sale and transfer clear title to a purchaser without bringing related condominium fees current.

29. The Company has been advised by certain condominium associations that, as a result of their loss of revenue, they may be required to reduce or terminate building amenities if the Company does not make payments. The Company and the Monitor are reviewing the impact this may have on future sales.

Liens

30. The Company has received notices that construction liens have been registered against various Projects. The Company and the Monitor will be reviewing the validity and amount of each of the liens. As discussed in paragraphs 112-116 of this Report, Medican Group may be unable to transfer clear title to purchasers at closing without a mechanism to vacate these liens.

Unsecured Creditors

31. The Company continues to prepare a comprehensive listing of its unsecured creditors. Based on the information compiled to date the preliminary list of creditors reflects over 800 creditors, with unsecured obligations totalling $30 million.

32. The total excludes an estimated $3.5 million for GST, approximately $2.4 million in accumulated corporate taxes owing to Canada Revenue Agency in respect of several of the Development Projects and unsecured loans totalling approximately $31 million.

Deposits

33. Medican Group has received in excess of $4 million in deposits from potential purchasers in respect of ongoing and/or future Projects. Of that amount, the Company advises that $1 million is held by the Company or its counsel in trust. A schedule summarizing the deposit amounts by Development Project and referencing deposits held in trust or used by the Company for operating purposes is provided as Appendix "C".

Should these developments not be completed, the Monitor estimates a potential liability of the same amount.

34. National Home Warranty Group Inc. ("NHWG"), which insures customer deposits, has requested that the Company provide it with a reconciliation of all deposits received for each Development Project and the status of each deposit. The Monitor is assisting the Company to assemble this information. A preliminary reconciliation has been provided to NHWG.

CASH MANAGEMENT

35. The Company's deposits and payments are generally processed through TD Bank accounts. TD Bank is the principal operating lender of Medican Concrete Inc. ("Concrete"). The operating line is guaranteed by various other Company entities, including Medican Construction Ltd. Medican Group and the Monitor have had extensive discussions with TD Bank for the uninterrupted continuation of the banking facilities.

36. The Company, the Monitor and TD Bank are negotiating an account operation protocol intended to achieve the following:

- TD Bank is not to be impaired by the CCAA Proceedings or continued operations of the Company's accounts;
- Monies received from the sale of Units and Extendicare Contracts are not to be governed by the account operation protocol; and
- The Company and the Monitor will provide TD Bank with weekly cash flow projections, including proposed cheques and payments to be honoured, for TD Bank's review and consideration.

37. In addition to the $1 million operating line with Concrete, TD Bank has a $2 million mortgage to R7 Investments Ltd., guaranteed by Medican Group companies.

38. In the Monitor's view, the protocol is reasonable as it provides the Company with access to its operating facility while at the same time offers certain protection for TD Bank.

CIBC

39. CIBC is one of the Company's primary construction lenders and holds security registered against seven Development Projects. As discussed in Section 4 of the Proposed Monitor's Report, CIBC had been considering the terms under which it may advance funding for two Development Projects for which construction had either not commenced or was partially complete. For this reason, the DIP Lender's Charge granted by the Court under the Initial Order does not rank in priority to the security held by CIBC. CIBC has subsequently decided not to fund the two Development Projects.

40. CIBC advised the Monitor that it wishes to work cooperatively with the Company and the Monitor and recognizes that costs will be incurred by the Company in dealing with the assets over which it holds security.

41. CIBC and the Monitor are in the process of formalizing an arrangement, the essence of which will be that CIBC will be responsible for direct and administrative costs, including professional fees, associated with the recoveries over the assets subject to its security.

42. It is the Monitor's view that the costs to be borne by CIBC under this arrangement will be substantially similar to the costs it would have been subject to had the priority charges in the Initial Order ranked ahead of its security.

DEVELOPMENT PROJECTS

43. The Company's Development Projects generally fall under three categories: a) bare undeveloped land, which may or may not have been re-zoned and/or subject to development permits since acquired by the Company (4 Projects in total); b) partially developed land, where one or more phases of a residential/condominium complex are under construction and where Units have been or are being marketed for sale (9 Projects in total); and c) completed Development Projects with remaining owned and unsold Units (5 Projects in total).

44. Each Development Project is situated in a different location, has unique characteristics, was acquired for a particular purpose and is associated with a different group of stakeholders (lenders, trade creditors, customers/unit owners).

45. Since the date of the Initial Order, the Company and the Monitor have assembled sales data on each project where Units have been sold, or subject to pre-sales in cases where development is not complete. In conjunction with that exercise, information is also being assembled on estimated costs to complete particular projects. This data is to assist with the viability review.

46. The Company recognizes that it may be uneconomic for it to develop certain of its land holdings or to complete certain Development Projects. The Company believes that these CCAA proceedings provide benefits to it and its stakeholders in such cases as recoveries may be maximized by the Company directing a sale effort as opposed to a particular secured lender pursuing alternate proceedings. The majority of the lenders approached by the Company and the Monitor have been supportive in this regard as long as they are informed of options and believe the Company is developing a course of action on a timely basis.

47. Detailed descriptions of each Development Project were provided as Exhibit “C” to the Reinheller Affidavit. The status of certain of the Development Projects reviewed by the Monitor is provided below.

Legend Project

48. The Legend Project is a condominium real estate development project located in Winnipeg, Manitoba consisting of three phases/buildings. The Company completed and sold all Units in the first phase in 2008. That phase is now being managed by a condominium association.

49. The Company has construction and development approvals for two additional phases of the Legend Project consisting of 56 Units each. A total of 48 Units in Phase 2 and 5 Units in Phase 3 have been pre-sold. The Company has collected deposits of approximately $650,000 related to these pre-sales. The majority of these deposits were not held in trust and have been used by the Company to fund operations.

50. Construction of Phase 2 is nearly completed. The Company estimates that all Units in Phase 2 will be ready for occupancy between June 15, 2010 and August 31, 2010, provided construction resumes as soon as practicable. The Company has not commenced construction with respect to Phase 3 – lenders typically require pre-sells of 65% to 85% of Units before advancing construction funding.

51. MCAP provided Legend with a lending facility related to Phases 2 and 3 and is secured by, among other things, a mortgage over the subject lands. MCAP has advanced approximately $7.8 million to date, including accrued interest. A $2.1 million mortgage registered against the subject lands by certain construction trade suppliers is subordinate to MCAP.

52. The Company estimates total revenue of approximately $12 million (inclusive of the deposits) upon closing of all Phase 2 Units of the Legend Project. The Company estimates that it requires an additional $1.4 million to complete construction of Phase 2. The Company, the Monitor and MCAP are negotiating an agreement which will provide for the completion of Phase 2 construction, which is intended to achieve the following:

a) MCAP would be provided with a charge in its favour ranking in priority to the DIP Lender's Charge, the Administration Charge, and the Directors' Charge (all as defined in the Initial Order) for all future advances in respect of the Legend Project;

b) Proceeds from the sale of Legend Project Units would be distributed as follows:

   - firstly, to pay all closing costs (including GST, utilities, property taxes, commission, legal fees and disbursements) in respect of the sale of a Unit;

   - secondly, to MCAP in repayment of all monies advanced by MCAP pursuant to an arrangement to provide funding to complete the construction of Phase 2;

c) Upon repayment of all monies advanced by MCAP, proceeds shall be allocated as follows:

   - $8,500 from each condominium sale will be paid to Fraser Milner Casgrain LLP ("FMC"), the Company's counsel, to be 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 (and subject to subsequent application related to the allocation of such charges);

   - the balance of the funds will be paid in favour of the valid and enforceable security interests against the Legend Project, in accordance with their lawful priority; and

- once all valid and enforceable charges against the Legend Project are paid, the remaining sale proceeds, if any, will be held in trust by FMC until further order of this Court.

53. The Monitor has participated in meetings and discussions with the Company, MCAP, Paragon and construction trade creditors in respect of the Legend Project. Upon concluding an arrangement with MCAP, the Company will seek Court approval thereof.

Medican (Red Deer – Michener Hill) Developments Ltd.

54. The project known as Sierras of Michener Hill ("Michener") is a three-phase residential Development Project located in Red Deer, Alberta, comprising three 4-story 52-unit condominium complexes and a 38-unit duplex.

55. The Company has invested $1.5 million in infrastructure costs and various development approvals related to the first phase. Closing on phase one Units could begin February, 2011 if the Company receives appropriate financing and construction commences immediately.

56. The Company has pre-sold 40 of the 52 Units in Phase 1.

57. Secured debt registered by Paragon and 933680 against the Michener lands is estimated to total $3.4 million.

58. At the Company's request, the Monitor approached Paragon with respect to financing construction for Phase 1. Paragon has reviewed the Michener project and has advised that it is prepared to fund construction subject to completing certain due diligence. Paragon estimates that it will conclude the due diligence within the next 10-14 days.

59. The Company projects that substantial profit can be realized by completing construction and selling completed Units and developing Phases 2 and 3.

Sanderson of Fish Creek (Calgary) Developments Ltd.

60. The project known as "Sanderson of Fish Creek" ("Sanderson") is a multi-phase residential Development Project located in Calgary, Alberta consisting of five buildings with a total of 352 Units ("Sanderson Project"). The project was established in multiple phases known as Phases 1, 2, 3, 4A and 4B.

61. Construction on Phases 1 and 2 is substantially complete; remaining costs to complete are estimated to be $600,000. The Company currently has 41 Units for sale, seven of which have been sold and are subject to closing. The Monitor is reviewing the accuracy of the costs to complete the Units in this phase.

62. Construction on Phase 4A is approximately four weeks from completion; remaining costs to be complete are estimated to be $700,000. The Company has sold but has not yet closed 9 of the 20 Units in Phase 4A. The Monitor is reviewing the accuracy of the costs to complete the Units in this phase.

63. The Company has pre-sold 33 of the 75 Units in Phase 3. The foundation (including underground parking) is substantially complete; above ground construction has not yet commenced.

64. Construction of Phase 4B has not commenced, nor has the Company begun pre-selling Units.

65. Exhibit "C" to the Reinheller Affidavit described the highly complex financing arrangements in respect of the Sanderson Project. In brief, more than five different lenders hold various forms of security registered against the Sanderson lands and different unsold Units, along with other unsecured lenders and construction trade suppliers (some of which have registered liens). Financial obligations related to Sanderson are estimated to be $60 million.

66. The Company has prepared a pro forma of remaining costs to complete each of the Sanderson phases compared with expected revenue from Units to be completed. The pro forma reflects net proceeds in excess of $25 million if construction is completed and Units are sold. The Monitor is in the process of reviewing the pro forma.

67. At the Company's request, the Monitor approached Paragon with respect to financing construction for Phase 3. Paragon has reviewed the Sanderson Project and has advised that it is prepared to fund construction (either exclusively or with another lender) subject to completing certain due diligence. Paragon estimates that it can conclude due diligence within the next 21-30 days.

68. The Monitor understands that one of the existing lenders related to the Sanderson Project may be seeking the appointment of a receiver. In the Monitor's view, this action is premature and may prejudice Sanderson's other stakeholders, including other lenders, trade suppliers, unit owners and purchasers of Units for which sales have not been completed.

69. The Monitor is in the process of investigating the equity that may exist in each of the Sanderson phases, which appears to be significant, while at the same time reviewing the validity of security registered against the lands.

70. The Monitor believes that additional time is required to complete a review of the Sanderson project. In this regard, the Company and the Monitor intend to work cooperatively with stakeholders. In the short term the Monitor sees little prejudice to any of the Sanderson Project lenders.

71. The Monitor proposes to advise this Honourable Court in a subsequent report on its recommendation regarding the Sanderson project, and will do so on a timely basis recognizing the importance of this project to the Company and other parties.

Other Projects and Proposed Next Steps

Sonata Ridge (Kelowna) Developments Ltd.

72. The project known as "Sonata Ridge" ("Sonata Ridge Project") currently consists of bare land in Lake Country, British Columbia upon which the Company had planned to construct a 213-unit condominium complex.

73. The lands for the Sonata Ridge Project were acquired with funding from Laurentian Bank of Canada ("Laurentian"), which is owed approximately $3.8 million, and Carry Investments Ltd. ("Carry"), which is owed $3 million.

74. The Company does not intend to develop the Sonata Ridge Project. Accordingly, it proposes to request listing proposals from two reputable real estate brokerage firms, to be reviewed with Laurentian and Carry, and to select a realtor and list the lands for sale. Concurrent with that process, the Monitor will request that Laurentian and Carry provide their respective security documents for review. Any sale would be subject to a reserve for the charges under the Initial Order and subject to approval of this Honourable Court.

Axxess (Sylvan Lake) Developments Ltd.

75. Axxess Sylvan Lake is a Development Project located at Sylvan Lake, Alberta. The Company had planned to complete a three-phase, 169 unit condominium complex ("Axxess Sylvan Lake Project").

76. Phase 1 of the Axxess Sylvan Lake Project is complete, with one unit remaining to be sold. CIBC has a registered security interest against this unit and is owed approximately $181,000. The Company proposes to sell the unit in the ordinary course.

77. The Company has pre-sold 10 of the 55 Units related to Phase 2. Construction has not started. Phase 3 has yet to be commenced and sits as bare land.

78. Phases 2 and 3 are financed by way of a secured lending facility from Monarch, with an estimated balance owing of $2.9 million (including bonus amounts). The Monitor understands that the Monarch loan is secured in first priority against the Phase 2 and 3 lands.

79. Monarch has advised the Monitor that it wishes to retain the Phases 2 and 3 lands pending future development and that it believes the current value is less than the balance it is owed.

80. The Company and the Monitor have concluded that, pending a review of Monarch's security, an independent appraisal of the Phases 2 and 3 lands and a review of claims which may rank in priority to Monarch, they would support a "quit claim" of the subject lands to Monarch, subject to a reserve for the charges under the Initial Order and subject to approval of this Honourable Court.

Riverstone (Medicine Hat) Developments Ltd.

81. Riverstone Condominium is a Development Project located at Medicine Hat, Alberta. The Company planned to complete a 3-phase, 136 unit condominium complex (“Riverstone Project”).

82. Construction is complete on Phase 1, with 35 of 40 Units already sold and closed and the remaining five Units listed for sale. CIBC has a registered security interest against the remaining Units and is owed approximately $733,000. The Company proposes to sell these Units in the ordinary course.

83. Phases 2 and 3 are currently bare land. Phases 2 and 3 are financed by way of a secured lending facility from Carry, with an estimated balance owing of $4.5 million (this loan is cross-collateralized with the Sonata Ridge lands). The Monitor understands that the Carry loan for the Riverstone Project is secured in first priority against the Phase 2 and 3 lands.

84. The Monitor has not yet had an opportunity to discuss this project with Carry; however, it is likely that Carry will want to retain the Phases 2 and 3 lands pending future development or list the Phase 2 and 3 lands to monetize their value.

85. The Company and the Monitor have concluded that, pending a review of Carry’s security, an independent appraisal of the Phases 2 and 3 lands and a review of claims which may rank in priority to Carry, they would support either a listing of the lands for sale or a “quit claim” of the lands to Carry, subject to a reserve for the charges under the Initial Order and subject to approval of this Honourable Court.

Sitara on the Pond (Kelowna)

86. The project known as "Sitara on the Pond" is a condominium Development Project located at Kelowna, British Columbia which consists of a completed two-phase condominium project (the "Sitara Project").

87. The Company currently has five Units listed for sale. CIBC has a registered security interest against the remaining Units and is owed approximately $983,000[1]. The Company proposes to sell these Units in the ordinary course.

Canvas (Calgary) Developments Ltd.

88. The project known as "Canvas at Millrise" is a condominium Development Project located in Calgary, Alberta, comprised of a four-phase, 318 unit condominium complex (the "Canvas at Millrise Project").

89. In March, 2010, a fire partially destroyed Phases 1 and 2 of the Canvas at Millrise Project. At the time of the fire it had been over a year since the condo board of Canvas at Millrise took over ownership and responsibility for the project. Medican Group has been retained to reconstruct this part of the complex and is working with the insurer in regards to this effort.

90. The Canvas at Millrise Project is complete except for final finishing of the unsold Units. There are 12 remaining Units in Phases 1 and 2, three of which have been sold but not closed.

[1] CIBC's records indicate that only four units are remaining for sale, with a balance owing to it of $818,000. The difference is being reviewed.

91. The unsold Units in Phases 1 and 2 of the Canvas at Millrise Project are financed by way of a secured lending facility with CIBC, with an estimated balance owing of $2.5 million. The Company proposes to sell these Units in the ordinary course.

92. There are 43 Units complete and currently for sale in Phases 3 and 4, seven of which have been sold but not yet closed. The unsold Units are financed by way of a secured lending facility with Macdonald Canvas Properties Ltd. ("Macdonald Canvas"), with an estimated balance of $9.2 million (inclusive of bonus amounts payable).

93. Macdonald Canvas has requested that the Company release to it the unsold Units in Phases 3 and 4 as it believes the current value is less than the balance it is owed.

94. The Company and the Monitor have advised that, pending a review of Macdonald Canvas's security and a review of claims which may rank in priority to Macdonald Canvas, they would support a release of the unsold Units to Macdonald Canvas on the condition that an amount to be determined be withheld from the sale of each unit to address the charges created by the Initial Order, subject to a final allocation. The Monitor will attempt to document an agreement with Macdonald Canvas, subject to approval of this Honourable Court.

Medican (Edmonton Terwillegar) Developments Ltd.

95. The project known as Axxess Terwillegar is a condominium Development Project located in Edmonton, Alberta. The Company planned to complete a three-phase, 275 unit condo complex ("Axxess Terwillegar Project").

96. Phase 1 of the Axxess Terwillegar Project is currently under construction; 73 Units are complete and for sale, three of which have been sold but not closed.

97. Phase 1 of the Axxess Terwillegar Project is financed by way of a secured lending facility with MCAP, with an estimated balance of $8.5 million. The Phase 1 Units are subject to subsequent registrations in favour of Monarch, with an estimated balance of $400,000, and Macdonald Terwillegar Properties Ltd. ("Macdonald Terwillegar"), with an estimated balance $3.7 million.

98. The Monitor received a proposal from Macdonald Terwillegar with respect to the completion and sale of Phase 1. Discussions are ongoing.

99. Phases 2 and 3 of the Axxess Terwillegar Project are as yet bare land. The lands are financed by way of a secured lending facility with Monarch with an estimated balance of $3.3 million. The Company and the Monitor will be reviewing the value of these lands and may request either listing proposals from real estate brokerage firms or consider supporting a "quit claim" of the subject lands to Monarch, subject to a reserve for the charges under the Initial Order.

Cercle des Cantons and Kelowna Move Center

100. Cercle des Cantons is a 480-unit condominium Development Project, located on the slopes of Bromont Ski Resort at Bromont, Quebec (the "Bromont Project"). There are eight planned phases; Phase 1 and 2 are complete.

101. The Company sold 93 Units. The remaining 17 Units are listed for sale, though they are not being actively marketed as construction has not been completed on these Units. Remaining construction costs are estimated to be $225,000.

102. The Bromont Project is financed by a secured lending facility with Harbour, with a balance owing of approximately $3.2 million. The Monitor understands that the loan is cross-collateralized with a single story retail building located in Kelowna, British

Columbia known as the "Kelowna Move Sales Center", owned by Medican (Kelowna Move) Developments Ltd. and used as a sales center for real estate developments of Medican Projects in the area.

103. A written 'en bloc' offer has been made for the remaining Bromont Project Units and a verbal offer has been made for the Kelowna Move Sales Center. The Company has requested that the prospective purchaser of the Kelowna Move Sales Center submit its offer in writing, to be reviewed by the Company, the Monitor and Harbour. The Monitor is reviewing the 'en bloc' offer.

104. The Company believes that there is substantial value in excess of the balance owing to Harbour with respect to these two properties. Accordingly, the Company may seek to commence a sale process for the Bromont Project Units and the Kelowna Move Sales Center with a call for 'en bloc' offers on a date to be determined. Any offer accepted by the Company would be subject to Court approval.

Other Development Projects

105. The Company and the Monitor are reviewing the status of each Development Project, including their unique characteristics. The Company and the Monitor will update the Court on the status of the review and propose next steps for each project after consultation with relevant stakeholders.

933680 Alberta Ltd.

106. The Monitor has reviewed various documents provided by 933680. Since April 24, 2007, 933680 provided five different credit facilities to Medican Group.

107. Credit facilities one, two and three were originally a $2.5 million revolving operating loan dated April 24, 2007 and secured by a $2.5 million mortgage (the "First Mortgage") registered against title across various properties. This operating loan was increased to $3.1 million on June 18, 2007. On January 1, 2008 the operating loan was further increased to $3.6 million and the parties agreed to separate the loan into three distinct facilities, all secured by the First Mortgage, which was increased to $3.6 million. Pursuant to a sale of the "Sylvan Lake Marina Project" to 933680, credit facility number two and credit facility number three were "assumed" by 933680 in October, 2009. The nature and validity of this sale transaction and whether the sale was for fair market value is being reviewed.

108. Credit facility four was a $1.5 million stand-alone mortgage executed on May 21, 2008 against a bare land parcel known as "Chartwell Modular Home Project" in Medicine Hat, Alberta, and secured by the First Mortgage. On June 7, 2008 this facility was increased to $1.75 million. On August 14, 2009, the Chartwell Modular Home Project was sold to 933680 and leased back by the Company. Pursuant to the sale of this property, 933680 agreed to "assume" credit facility four. The Monitor is investigating the nature and validity of this sale transaction and whether the sale was as at fair market value.

109. Credit facility five is a $1 million loan advanced by 933680 on August 28, 2009 which was cross defaulted and cross collateralized with credit facilities one, two, three and four and secured by a $4.6 million mortgage (the "Second Mortgage").

110. Currently, only credit facilities one and five are outstanding with an aggregate outstanding balance as of June 1, 2010 of $2,345,220 (according to the "Debt Repayment and Restructure Proposal" submitted by 933680). Medican Group's debt to 933680 is secured by the First Mortgage, which was increased to $6.1 million pursuant to the

Mortgage Amending Agreement dated January 28, 2010 granted by Medican (Red Deer - Michener Hill) Developments Ltd., Sylvan Lake Marina Developments Ltd., R7 Investments Ltd., 1144233 Alberta Ltd., Medican Modular (Chartwell Medicine Hat) Developments Ltd., Medican Construction Ltd. and 1123749 Alberta Ltd., as mortgagors, to 933680 Alberta Ltd., as mortgagee. The Mortgage Amending Agreement also incorporated the Second Mortgage into the First Mortgage.

111. In addition, the Monitor is investigating the circumstances surrounding the attempted repudiation by 933680 of the lease with the Company of the Sylvan Lake Marina Project at 1:56 p.m. (Calgary time) on the date of the Initial Order; that 933680 would be re-entering the Sylvan Lake Marina Project; and that 933680 would be taking possession of the Sylvan Lake Marina Project effective immediately.

CLOSING MECHANICS

112. The Company is subject to approximately 130 purchase and sale agreements in respect of completed and ready-to-occupy Units. As a result of, among other things, the Initial Order, the DIP Lender's Charge, the Administration Charge, and the Directors' Charge (all as defined in the Initial Order), registrations in favour of individual lenders and liens registered by certain parties, the Company may not be able to deliver clear title to a purchaser.

113. The Company is seeking an Approval and Vesting Order, vesting title in purchasers of Units, free and clear of all claims, encumbrances, liens and the like. It is proposed that these sales would be completed with the Monitor's approval and following issuance of a Monitor's Certificate in respect of such sale to alert the relevant land titles office of the details of that particular sale. It is also proposed that the proceeds, net of closing costs (property taxes, condominium fees, sales commissions and legal fees) ("Net Proceeds"):

a) Would be held in trust with FMC; and

b) May be distributed to those with valid and enforceable claims to the Net Proceeds, provided: i) the Monitor approves such a disbursement; and ii) an adequate reserve is set for the beneficiaries of the charges created by the Initial Order.

114. The proposed form of Approval and Vesting Order directs land title registration offices in jurisdictions outside of Alberta to register title to purchasers in accordance with a Monitor's certificate, which is intended to accompany individual unit closing documents. The form of Monitor's certificate is attached as a schedule to the form of Approval and Vesting Order. In the Monitor's view, this is the most practical, cost efficient and timely method to effect unit sales.

115. The Approval and Vesting Order also provides that: a) any reserve for the beneficiaries of the charges created by the Initial Order is without prejudice to further applications respecting the allocation of the charges; b) courts of other jurisdictions are called upon to assist as necessary; and c) the contemplated transactions are protected from subsequent review under the *Bankruptcy and Insolvency Act (Canada)*.

Recommendation

116. The Monitor respectfully recommends that this Honourable Court grant the draft Approval and Vesting Order, as filed, for the following reasons:

a) It allows the Company to monetize certain assets and maximize recoveries;

b) Parties are not prejudiced by the proposed distribution of Net Proceeds; and

c) It is in the best interest of condominium unit purchasers as it will allow them to close on their Units and get the benefit of their deposits.

COST PLUS PROJECTS

Extendicare

117. The Extendicare contracts apply to three seniors' care facilities being developed in Edmonton, Red Deer and Lethbridge and comprise a total of 600 Units at a cost of approximately $100 million. In accordance with the terms of the respective contracts, these Cost Plus Projects return a net profit of 4% to the Medican Group.

118. The Monitor understands that prior to commencement of the CCAA proceedings, Medican utilized approximately $750,000 advanced by Extendicare to fund its operations, which resulted in outstanding trade payables of $600,000.

119. Extendicare advised the Company that it would not support the Company or engage it for any future projects unless payment is made to the trade suppliers that were to be the recipients of these funds. The trade suppliers are able to, and in some cases have, filed liens against Extendicare lands. Extendicare has indicated it will set offs amounts owing to the Company under the Extendicare contracts to ensure its lands are not liened. The Company has agreed to make these payments from the June and July, 2010 net profit/management fee payments associated with the Extendicare contracts. The Company estimates that its account payable with the relevant trade suppliers will be current by the end of July, 2010. By August, 2010, Medican Group would then have access to approximately $300,000 per month in profit/management fees.

120. Extendicare has advised the Company that further funds it advances are required to be paid into a separate bank account established in the name of Extendicare and shall be processed and disbursed jointly by Extendicare and the Company.

121. The Monitor supports the Company's payment of the relevant trade suppliers as outlined above and the establishment of a separate and distinct bank account to preserve the Extendicare Contracts.

Other Cost Plus Projects

122. The three other Cost Plus Projects scheduled to commence have a total cost of approximately $50 million and are expected to return a net profit to Medican Group of approximately $3 million. The Company may be engaged on a fourth Cost Plus Project.

123. The parties that engaged Medican Group have expressed concerns with respect to the Projects but have indicated that they wish to proceed with the Company if the stay of proceedings under the Initial Order is extended.

INVESTMENT GUARANTEED PROGRAM ("IGP")

124. In 2008, the Company developed a program targeted to purchasers of Units for investment purposes. The Monitor understands that the purpose of the IGP was to increase sales activity.

125. In general terms, the IGP provided that:

a) The Company would sell a unit to a purchaser;

b) As part of the sale transaction, the Company would enter into a lease agreement with the purchaser whereby the Company would lease the unit subsequent to closing for a fixed rent amount for a 12 month term, renewable at the option of the purchaser for two additional 12 month periods, for a total rental period of up to 36 months;

c) As a further incentive, in certain cases the Company would also provide purchasers with a cash rebate payable at closing based on a percentage of the value of the unit. The Company referred to the payment as a "Mortgage Buy Down Payment";

d) The Company would manage the unit on the purchaser's behalf;

e) The Company, either directly or through an agent, would attempt to locate a tenant for the unit and sublease the unit. Any rental income generated from the unit would be paid to the Company and be for the Company's benefit; and

f) Purchasers would be responsible for condominium fees and property taxes.

126. As at the date of the Initial Order, the Company was managing 130 Units located at 12 different projects on behalf of numerous owners, including approximately 30 Units owned by Medican Group employees or former Medican Group employees.

Termination

127. The Company estimates that the IGP currently generates negative cash flow in excess of $300,000 on an annual basis, including monthly rent payments to purchasers (particularly when there is no corresponding rental income) and costs of administration. Accordingly, Medican Group has advised the Monitor that it will to terminate the IGP effectively immediately and repudiate each of the respective contracts.

128. The Company will: a) advise IGP unit owners that it can no longer administer the IGP; b) return any keys in its possession to unit owners; c) provide copies of tenancy agreements, if applicable, to unit owners in order for them to deal directly with tenants; and, d) deliver to unit owners any rent cheques received for June, 2010 (or the corresponding amount if the payment has been deposited by the Company). The Company may also have to advise certain tenants that they may have a claim against the Company for security deposits, if any, paid to Medican Group.

129. The Monitor supports the Company's repudiation of the contracts subject to the IGP as:

a) The Company no longer derives a benefit from the IGP;

b) It mitigates the Company's losses; and

c) It will reduce the burden on the Company's scarce resources.

130. The Monitor is in the process of assembling the contracts subject to the IGP to review whether the transactions appear to have been made at fair market value.

CASH FLOW

131. Medican Group filed a 13-week cash flow projection for the period commencing May 24, 2010 to August 20, 2010 with its CCAA application materials. A comparison of the budget to actual results for the two week period ending June 4, 2010 is provided as Appendix "D".

132. The Company has revised its projection to reflect developments since the date of the Initial Order. A weekly cash flow projection to September 3, 2010 ("Projection") is provided as Appendix "E". The notes to the cash flow should be read in conjunction with the cash flow. The Monitor assisted Medican Group with the preparation of the projected cash flow. The cash flow is predicated on Medican Group continuing to operate in the normal course in the context of the CCAA Proceedings. The Monitor has reviewed the cash flow and its underlying assumptions. The projected cash flow is a projection based on Medican Group's management's assumptions regarding future events; actual results will vary from the information presented even if the forecast assumptions occur, and the variations may be material. Accordingly, the Monitor express no assurance as to whether the projection will be achieved.

DIP Financing

133. Pursuant to the Initial Order, the Company was authorized to borrow up to $1.5 million from the $2.5 million in DIP financing. The DIP financing is being provided by Paragon. As at the date of this Report, the Company has drawn $790,000 in DIP financing.

134. As noted earlier in this Report, the DIP financing credit agreement and the Initial Order do not contemplate payment for any of the mortgages or secured debts of Medican Group.

135. In accordance with the Projection the Company estimates that it may require an increase in its DIP financing facility of $1.0 million, to a total of $2.5 million.

136. The Monitor respectfully recommends that this Honourable Court authorize the Company to borrow up to $2.5 million in DIP financing to allow it an opportunity to advance its restructuring efforts.

UNSOLICITED OFFER

137. Medican Group received an unsolicited letter of intent to purchase and assume debt ("Offer") from a strategic purchaser in respect of nine Development Projects late in the day on June 8, 2010. The offer encompasses the projects known as: Axxess Terwillegar; Kaleido (Westbank); Sanderson; Legend at Creekbend; Michener; Sonata Ridge; Axxess Grande Prairie; Valleydale; and Canvas at Millrise.

138. The Company and the Monitor have briefly reviewed the Offer. The Monitor will be meeting with the prospective purchaser forthwith to assess the *bona fides* of the Offer. The proposed next steps set out in this Report with respect to the Development Projects may be subject to change if the Offer materializes.

CLAIMS PROCESS

139. The Company is seeking Court approval to commence a claims process so it can assess claims against the Company and the Projects and their relative priority. Among other reasons, a claims process may be required to assist the Company and its stakeholders to quantify the equity available in each Project.

140. Additionally, given the cross-collateralization and guarantees that impact on recoverability of multiple parties against multiple entities within Medican Group, a more formal process needs to be undertaken to ensure fairness to all parties.

141. The Claims Process Order and the process contemplated by it are similar to those approved by this Honourable Court in other CCAA proceedings, save and except that this process provides that the review of secured claims against Developments Projects can be accelerated to allow a prompt resolution of claims.

142. The Monitor supports commencement of a claims process and respectfully recommends that this Honourable Court make an order in accordance with the draft Claims Process Order.

COMPANY'S REQUEST FOR AN EXTENSION OF THE CCAA PROCEEDINGS

143. The Monitor supports the Company's request for an extension of the stay of proceedings from June 11, 2010 to August 12, 2010 for the following reasons:

a) The Company is acting in good faith and with due diligence in its restructuring efforts;

b) An extension will provide the Company's new management team, with the assistance of the Monitor, an opportunity to continue to review the Development Projects and Cost Plus Projects, assess their viability and develop a strategy, as well as review the Offer; and

c) An extension will provide the Company with an opportunity to monetize certain of its assets, under the supervision of this Court, which is likely to maximize recoveries for all stakeholders.

144. The Monitor anticipates that as it, the Company and key stakeholders further assess each of the Development Projects, the Company and the Monitor will be reporting to the Court before expiration of the proposed stay extension with respect to project-specific relief.

MONITOR'S ACTIVITIES

145. In addition to the activities referenced in this Report, the Monitor's activities since the date of the Initial Order include:

- Advising creditors of the CCAA proceedings by mail and pursuant to advertisements in the *Calgary Herald* and the *Medicine Hat News*;
- Reviewing financial information;
- Reviewing the Company's cash flow;
- Communicating with creditors;
- Communicating with counsel to certain stakeholders;
- Posting documents filed in these proceedings on its website;
- Corresponding with FMC and Macleod; and
- Drafting this Report.

CONCLUSION AND RECOMMENDATION

146. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Paragraph 4 h) of this Report.

* * *

All of which is respectfully submitted this 10th day of June 2010.

RSM Richter Inc.

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

Medican Group of Companies Appendix "A"
Post Petition Condominium Unit Offers Accepted from May 26, 2010
($ Canadian, Unaudited)

Date	Site	Phase	Closing	Suite	Asking Price	Accepted Price
28-May	Terwillegar	1	18-Jun	304	230,000	222,869
28-May	Terwillegar	1	25-Jun	104	225,000	217,776
29-May	Canvas @ Millrise	4	9-Jul	2127	224,900	214,900
31-May	Canvas @ Millrise	4	30-Jul	2129	224,900	209,677
31-May	Canvas @ Millrise	4	30-Jul	2121	224,900	214,900
31-May	Canvas @ Millrise	4	30-Jul	2125	224,900	214,900
1-Jun	Canvas @ Millrise	4	23-Jul	2122	179,900	169,900
1-Jun	Legend @ Creekbend	2	30-Jun	315	256,000	254,000
2-Jun	Terwillegar	1	15-Jul	102	249,000	240,311
2-Jun	Canvas @ Millrise	3	21-Jul	2108	179,900	169,900
2-Jun	Canvas @ Millrise	4	25-Jul	2134	184,900	174,900
2-Jun	Sanderson	2	1-Oct	B306	491,612	468,700
2-Jun	Canvas @ Millrise	4	16-Jul	2124	179,900	169,900
2-Jun	Canvas @ Millrise	4	30-Jun	2139	204,900	194,900
2-Jun	Terwillegar	1	30-Jun	202	252,000	248,700
4-Jun	Legend @ Creekbend	2	1-Sep	341	171,491	172,491
4-Jun	Canvas @ Millrise	4	30-Jun	2131	224,900	214,900
8-Jun	Terwillegar	1	5-Jul	228	225,000	218,024
					4,154,103	3,991,648

Medican Group of Companies Appendix "B"
Estimated Outstanding Municipal Tax Balances
As at December 31, 2009
($ Canadian, Unaudited)

City	Amount Due
City of St. Albert - Inglewood	6,351
District of Lake Country - Sitara	8,232
District of Lake Country - Sonata	12,560
Town of Sylvan Lake - Deipert Land	6,847
Town of Sylvan Lake - Axxess Sylvan	7,630
District of West Kelowna - Kaleido	184,416
Strathcona County - Summerwood	282
City of Calgary - Canvas	20,378
City of Calgary - Sanderson	35,151
City of Calgary - Evergreen	100
City of Lethbridge - Courtyard	660
City of Brooks - Edgewood	5,813
Town of High River	2,026
City of Grande Prairie - Elements	33,088
City of Grande Prairie - Axxess GP	19,207
City of Medicine Hat -DUO	3,117
City of Medicine Hat -Canyon Creek	20,172
City of Medicine Hat - River Ridge Lots	24,951
City of Medicine Hat - Axxess MH	1,096
City of Medicine Hat - Riverstone	13,314
City of Medicine Hat - Chartwell	15,134
City of Medicine Hat - Other/R7	5,330
City of Medicine Hat - Wes Personal	9,276
City of Medicine Hat - Central Bldg	17,550
City of Edmonton - Terwillegar	20,226
Cypress County - Farmland/Residence	4,750
Cypress County - R7/MC/Heller	7,862
Estimated total, excluding interest and penalties	**485,519**

Medican Group of Companies
Deposit Reconciliation
As at June 8, 2010
($ Canadian, Unaudited)

Appendix "C"

Project Name	Held In Trust	Released to Medican	Total
Axxess Sylvan Lake Ph II	21,400	138,950	160,350
Axxess Terwillegar (Edmonton)	38,200	-	38,200
Canvass at Millrise Ph I	-	60,000	60,000
Canvass at Millrise Ph III	28,500	-	28,500
Canvass at Millrise Ph IV	54,969	13,450	68,419
Kaleido (Westbank) Kelowna Ph I	15,000	-	15,000
Kaleido (Westbank) Kelowna Ph II	169,888	-	169,888
Legend (Winnipeg) Ph II	23,400	569,567	592,967
Legend (Winnipeg) Ph III	67,854	-	67,854
Riverstone (Medicine Hat) Ph II	18,390	-	18,390
Sanderson Ridge Ph I	133,000	132,240	265,240
Sanderson Ridge Ph III	325,300	545,150	870,450
Sanderson Ridge Ph IVA	86,500	250,000	336,500
Sierras Michener Ph I	33,650	1,060,213	1,093,863
Watercrest	-	435,950	435,950
	1,016,051	3,205,520	4,221,571
Deposits on cancelled purchases	43,036	1,213,027	1,256,063
	1,059,087	4,418,547	5,477,633

Medican Group of Companies
Variance Analysis for the Two Week Period Ending June 4, 2010
($ Canadian, Unaudited)

Appendix "D"

	Budget	Actual	Variance	Notes
Receipts				
Income from Medican Concrete Ltd	100,000	-	(100,000)	Accounts receivable not collected as anticipated
Millrise	50,000	-	(50,000)	Receipt of funds delayed
Haven	30,000	-	(30,000)	Project not yet commenced due to CCAA process
Profits from Extendicare projects	-	-	-	
Miscellaneous	-	98,221	98,221	The company received a refund from WCB as well as a payment from Telus in respect of certain services.
DIP Financing	-	790,431	790,431	
Total receipts	180,000	888,652	708,652	
Disbursements				
Utilities	-	3,679	3,679	
Preauthorized payments	15,650	49,124	33,474	Timing difference in respect of payment on leased assets.
Payroll - Hourly	50,000	69,693	19,693	The initial amount was understimated by Medican
Payroll - Salary	130,000	119,687	(10,313)	
Payroll - Quebec	3,560	-	(3,560)	
Payroll - Concrete	40,000	26,749	(13,251)	
Payroll - Subcontractors	90,000	96,121	6,121	
Payroll - Remittances	62,900	-	(62,900)	Pre Petition remittances were not paid.
WCB	-	-	-	
Benefits - GWL/LL	-	-	-	
GST	-	-	-	
Professional fees	300,000	300,000	-	
Accounting fees	-	43,383	43,383	Payment for required accounting services.
Paragon fees		40,431	40,431	
Contingency	20,000	4,250	(15,750)	
Total disbursements	712,110	753,117	41,007	
Total cash in/(out)	(532,110)	135,535	667,645	
Opening position	0	211,033	211,033	The amount pertains to funds held in bank accounts other than Medican's general account.
Closing position	(532,110)	386,999	919,109	

Medican Group of Companies
13 week cash flow to the week ending September 3, 2010
(Actual cash flows to date also reflected)
($ Canadian, Unaudited)

Appendix "E"

	Notes	Actual 28-May	Actual 4-Jun	11-Jun	18-Jun	25-Jun	2-Jul	9-Jul	16-Jul	23-Jul	30-Jul	6-Aug	13-Aug	20-Aug	27-Aug	3-Sep	Total
Receipts																	
Income from Medican Concrete Ltd.	1	-	-	26,749	-	43,765	-	51,412	-	43,765	-	51,412	-	43,765	-	40,000	300,866
Millrise	2	-	-	-	-	-	-	80,000	-	-	-	-	90,000	-	-	-	170,000
Haven	3	-	-	-	-	-	-	20,000	-	-	-	-	35,000	-	-	-	55,000
Brenda Strafford Foundation/Okotoks	4	-	-	-	-	-	-	20,000	-	-	-	-	20,000	-	-	-	40,000
Profits from Extendicare projects	5	-	-	-	-	-	-	-	-	-	-	-	-	300,000	-	-	300,000
Refunds	6	98,221	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98,221
DIP Financing	7	750,000	-	-	355,000	-	415,000	-	360,000	-	410,000	-	220,000	-	-	225,000	2,735,000
Total receipts		848,221	-	26,749	355,000	43,765	415,000	171,412	360,000	43,765	410,000	51,412	365,000	343,765	-	265,000	3,699,087
Disbursements																	
Utilities and supplies	8	767	2,912	15,000	10,000	2,500	-	-	-	50,000	-	-	-	50,000	-	-	131,179
Preauthorized payments	9	3,767	45,357	4,141	35,516	3,486	34,784	1,527	28,980	12,636	34,784	1,527	8,107	33,509	4,416	30,368	282,905
Preauthorized payments - Concrete	9	-	-	-	3,765	-	11,412	-	3,765	-	11,412	-	3,765	-	-	11,412	45,529
Payroll - Hourly	10	-	69,693	-	70,000	-	70,000	-	70,000	-	70,000	-	70,000	-	70,000	-	489,693
Payroll - Salary	10	-	119,687	-	108,149	-	74,400	-	74,400	-	74,400	-	72,000	-	-	72,000	595,036
Payroll - Quebec	10	-	-	-	2,681	-	-	-	-	-	-	-	-	-	-	-	2,681
Payroll - Concrete	10	-	26,749	-	40,000	-	40,000	-	40,000	-	40,000	-	40,000	-	40,000	-	266,749
Payroll - Subcontractors	10	-	96,121	-	21,978	-	90,000	-	45,000	-	80,000	-	70,000	-	20,000	70,000	493,099
Payroll - Remittances	10	-	-	32,546	2,100	65,558	-	74,088	-	61,938	-	71,388	-	68,040	-	35,100	410,758
WCB	10	-	-	520	-	-	34,200	-	-	513	-	5,780	-	-		35,850	76,863
Benefits - GWL/LL	11	-	-	-	32,000	-	-	-	32,000	-	-	-	32,000	-	-	-	96,000
GST	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	13	300,000	-	-	200,000	-	50,000	-	50,000	-	50,000	-	50,000	-	50,000	-	750,000
Accounting fees	14	-	43,383	-	20,000	20,000	-	-	-	-	-	-	-	-	-	-	83,383
Service Charges		-	4,250	-	-	-	-	-	-	-	-	-	-	-	-	-	4,250
Paragon fees		40,431	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,431
Contingency	15	-	-	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	130,000
Total disbursements		344,965	408,152	62,207	556,188	101,544	414,796	85,615	354,145	135,087	370,596	88,695	355,872	161,549	194,416	264,730	3,898,556
Total cash in/(out)		503,256	(408,152)	(35,458)	(201,188)	(57,779)	204	85,797	5,855	(91,323)	39,404	(37,283)	9,128	182,215	(194,416)	270	(199,468)
Opening position		211,033	714,289	306,137	270,679	69,491	11,712	11,916	97,713	103,568	12,246	51,650	14,367	23,495	205,711	11,294	211,033
Closing position		714,289	306,137	270,679	69,491	11,712	11,916	97,713	103,568	12,246	51,650	14,367	23,495	205,711	11,294	11,565	11,565
Unit sale funds in trust	16	-	-	-	8,500	51,000	51,000	51,000	51,000	76,500	85,000	76,500	76,500	76,500	102,000	59,500	765,000
Total closing position		714,289	306,137	270,679	77,991	62,712	62,916	148,713	154,568	88,746	136,650	90,867	99,995	282,211	113,294	71,065	776,565

Medican Group of Companies Appendix "E"

13 week cash flow to the week ending September 3, 2010

(Actual cash flows to date also reflected)

($ Canadian, Unaudited)

1. Estimated based on Medican Concrete expenses which are paid by Medican Construction.
2. Estimated first draw on Millrise reconstruction.
3. Estimated first draw on Haven project.
4. Estimated first draw on Okotoks project.
5. Extendicare and Medican have agreed that profits due to Medican in May, June and July 2010 in connection with the three Extendicare projects will be applied to pay unpaid trades. It is anticipated that August's profits will be available to Medican.
6. Consists of refunds from WCB; and from Telus for installation of wiring in units.
7. $750,000 has been drawn on the DIP Financing as at June 10, 2010. Total DIP Financing to August 12, 2010, the proposed stay extension date, is estimated to be approximately $2.4 million.
8. Estimated utilities during the period. As a result of CCAA, May utility costs which are payable in June are prorated from May 26 to May 31. Certain suppliers are paid in advance if credit is not extended.
9. Preauthorized payments include insurance, vehicle leases and equipment leases. Concrete preauthorized payments are shown separately as Concrete supplies the funds to make such payments.
10. Estimated payroll based on current employee/subcontractor compliment.
11. Ongoing monthly employee benefit payments to Great Western Life and London Life.
12. GST to be paid directly by the respective development companies.
13. Fees of the Company's legal counsel, the Monitor and it's legal Counsel. The amounts will likely vary depending on the nature of the complexities that arise during the CCAA process.
14. Estimated Meyers Norris Penny LLP accounting fees for preparation of fiscal 2010 financial information.
15. Estimated.
16. The Monitor estimates that $8,500 will be retained from the sale of each condo unit in respect of the priority charges pursuant to the initial CCAA Court order. Closing dates are estimated and include units sold to date for the Canvas at Millrise, Terwillegar, Legend at Creekbend, Sanderson, and Grande Prairie projects. The amount retained is without prejudice to any subsequent Court application to allocate the priority charges pursuant to paragraph 43 of the initial CCAA order.