

**RSM Richter**

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

**RSM Richter Inc.**  
Calgary, September 3, 2010

## TABLE OF CONTENTS

INTRODUCTION.....	2
Purpose of this Report	2
Terms of Reference	3
Currency	3
BACKGROUND .....	4
COMPANY'S ACTIVITIES.....	5
CLAIMS PROCESS .....	5
DEVELOPMENT PROJECTS.....	6
Medican (Red Deer – Michener Hill) Developments Ltd. (“Michener”)	6
Sanderson of Fish Creek (Calgary) Developments Ltd. (“Sanderson”)	8
Medican (Edmonton Terwillegar) Developments Ltd. (“Terwillegar”)	10
Medican (Westbank) Land Ltd.	11
Cimarron (Medicine Hat)	12
7 <sup>TH</sup> STREET PROPERTY .....	14
R7 PROPERTIES .....	16
MONITOR'S ACTIVITIES .....	17
CONCLUSION AND RECOMMENDATION .....	17

**INDEX OF APPENDICES**

Unit sales summary ..... “A”

CRA claim summary ..... “B”

Sale Process re: Phase 4-7 lands of Kaleido ..... “C”

**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., 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")**

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

**September 3, 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. was appointed monitor (“Monitor”) under the Initial Order.
2. Pursuant to a Court order made on August 12, 2010, the stay of proceedings under the Initial Order was extended to September 30, 2010.
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 an update on the Company’s restructuring efforts;
  - b) Provide a status update on certain of the Company’s development and construction projects, including proposed sale processes; and
  - c) Respectfully recommend that this Honourable Court grant orders:
    - Approving an Offer to Finance (“Financing Offer”), as amended, from T&E Ventures Inc. (“T&E”) to Medican (Red Deer – Michener Hill) Developments Ltd. for construction financing related to the development project known as “Sierras of Michener Hill” (“Michener Project”), as described in this Report;
    - Approving the form of order being sought by the Company in respect of the Terwillegar Project, as described in this Report;
    - Approving the Sale Process (defined below) in connection with the Phase 4-7 lands of Kaleido, as described in this Report;

- Approving the arrangement among Medican Developments (Medicine Hat Southwest) Inc. and Medican General Contractors 2010 Ltd. with Harvest Group Limited Partnership, by its general partner, Harvest Group GP Corporation (“Harvest”) outlined in the Cimarron Documentation (as herein defined), as described in this Report;
- Approving an offer to purchase from Cypress College (“Cypress”) for the Company’s property located at #3 7<sup>th</sup> Street SE, Medicine Hat, Alberta (“7<sup>th</sup> Street Property”); and
- Approving offers for two properties (“R7 Offers”) owned by R7 Investments Ltd. (“R7”), as described in this Report.

### **Terms of Reference**

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

### **Currency**

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

## BACKGROUND

7. Medican Group is a private group of companies in the real estate construction and development business. The Company currently owns, operates and/or manages over 30 projects in British Columbia, Alberta, Manitoba and Quebec.
8. 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.
9. 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”).
10. A Development Project and a Cost-Plus Project are sometimes referred to individually as a “Project” and collectively as the “Projects”.
11. 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 at the Monitor’s website at [www.rsmrichter.com](http://www.rsmrichter.com)

## COMPANY'S ACTIVITIES

12. A summary of the Company's progress since the Monitor's Fourth Report to Court dated August 10, 2010 ("Fourth Report") is provided below. Among other things, the Company:
- a) Accepted offers, with the Monitor's approval, on nine existing or under-construction residential condominium units ("Units"). A schedule identifying Unit sales from the date of the Initial Order is provided as Appendix "A". In total, the Company has accepted 71 offers to date;
  - b) Initiated a new sales team with Re/Max at the Development Project known as "Sanderson of Fish Creek" and listed new suites on MLS;
  - c) Implemented new marketing initiatives at the Development Projects known as "The Legend at Creek Bend" and "Sierras Michener Hill";
  - d) Obtained several new contracts in respect of its Medican Concrete Ltd. business which will improve its cash flow;
  - e) Received an offer to finance and develop phase 3 and 4B of "Sanderson of Fish Creek". The offer is being reviewed and assessed by the Company and the Monitor;
  - f) Received a proposal to develop certain lands adjacent to the "Extendicare" building in Lethbridge, Alberta where Medican will construct a multi-residential facility on a cost-plus basis;
  - g) Continued to meet with third parties respecting the development or sale of the Company's interests in certain Development Projects; and
  - h) Continued to provide stakeholders with updates on its restructuring efforts.

## CLAIMS PROCESS

13. As described in previous reports of the Monitor, pursuant to an order of this Honourable Court dated June 11, 2010 ("Claims Procedure Order"), Affected Creditors (as defined in the Claims Procedure Order) were required to submit proofs of claims to the Monitor to be received prior to the claims bar date of 5 p.m. M.D.T. on July 30, 2010 ("Bar Date"). The Monitor summarized the claims it received at the Bar Date in the Fourth Report.

14. As discussed in the Fourth Report, Canada Revenue Agency (“CRA”) filed claims against several companies of the Medican Group, including claims filed on a secured basis totalling \$3.5 million. Attached as Appendix “B” is a summary identifying the specific Medican Group companies subject to claims filed by CRA. The Monitor is reviewing CRA’s claims.

## **DEVELOPMENT PROJECTS**

15. An update on the status of certain of the Development Projects is provided below. More detailed descriptions of the Development Projects are provided in reports previously filed by the Monitor, including the Fourth Report.

### **Medican (Red Deer – Michener Hill) Developments Ltd. (“Michener”)**

16. The Development Project known as “Sierras Michener Hill” (“Michener Project”) is located in Red Deer, Alberta comprising 148 Units and 38 duplexes upon completion of construction. Closing on Units could potentially begin in early 2011 provided construction at the site resumes in the next few weeks.
17. Secured debt registered by Paragon Capital Corporation (“Paragon”) against the Michener Project lands is estimated to total \$2.6 million. 933680 Alberta Ltd. (“933680”) has also registered a charge against the Michener Project lands and filed a proof of claim of \$2.667 million in respect of its cross-collateralized mortgage against the Michener Project lands and other Development Projects owned by the Company.
18. The Monitor’s counsel has reviewed the Paragon and 933680 security documents and advised the Monitor that, subject to standard assumptions and qualifications, the security interests of Paragon and 933680 against Michener are valid and enforceable.

19. Pursuant to the Fourth Report, the Monitor summarized the Financing Offer and recommended that it be approved by this Honourable Court. That relief was adjourned on August 12, 2010, the return date of the Company's motion, as certain Michener Project stakeholders requested clarification of the Financing Offer terms.
20. As a result of discussions among T&E, the Company and stakeholders, T&E agreed to increase the amount of its offer payable to 933680 by approximately \$450,000.
21. The amended Financing Offer provides for:
  - An initial advance of up to \$6.0 million (estimated to be \$5,988,929) to repay: a) the Paragon mortgage totalling \$2,625,929, b) the 933680 mortgage in the amount of \$1,400,000; c) valid lien claims and critical suppliers (as determined in T&E's sole and absolute discretion) up to \$1,763,000<sup>1</sup>; and d) \$200,000 in respect of the Priority Charges (as defined in the Initial Order);
  - Advances in accordance with a schedule and time line to complete construction of the Michener Project estimated to total \$42 million;
  - An interest rate of 10% per annum to September 15, 2012, increasing thereafter to 12% per annum;
  - A payment to T&E of \$15,000 upon the sale of each Michener Project Unit and \$60,000 upon the sale of each Michener Project duplex;
  - A first ranking security interest in favour of T&E against the Michener Project lands. The Priority Charges pursuant to the Initial Order will retain a second charge and 933680 will retain a third charge; and
  - Approval by the Honourable Court of the Financing Offer by September 8, 2010.
22. A copy of the amended Financing Offer is appended to the affidavit of Tyrone Schneider sworn September 3, 2010 ("Affidavit").

---

<sup>1</sup> The Monitor understands that two claims would not be paid from this amount, being a contingent claim from New Home Warranty and a claim for sales commissions, totalling \$2.2 million in the aggregate.

Recommendation

23. The Monitor respectfully recommends that this Honourable Court approve the Financing Offer, for the following reasons:
- The Financing Offer will result in full repayment to Paragon, partial repayment to 933680 and repayment to critical trade suppliers;
  - Completion of the Michener Project is in the interest of the existing Unit purchasers as it will allow them to close and occupy their Units;
  - The Financing Offer was negotiated with an arm's-length party and is fair and reasonable in the circumstances;
  - The Financing Offer is supported by Paragon, the first-ranking secured creditor of Michener. Paragon has advised the Monitor that full repayment of its mortgage may be at risk if the Financing Offer does not proceed and the Michener Project is liquidated; and
  - The Company estimates that, subject to certain assumptions, equity in excess of \$5 million would be available to it upon the sale of the Michener Project Units and duplexes. This equity would fund part of the Company's CCAA plan of compromise and arrangement, which is currently being developed.

**Sanderson of Fish Creek (Calgary) Developments Ltd. ("Sanderson")**

24. The project known as "Sanderson of Fish Creek" is a residential Development Project located in Calgary, Alberta consisting of five phases with a total of 352 Units ("Sanderson Project"). The Sanderson Project was established in multiple phases referred to as Phases 1, 2, 3, 4A and 4B. The Company also owns certain adjacent lands ("Church Lands").
25. As previously reported, 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 by the Company to be at least \$60 million.

Phases 1 and 2

26. On August 6, 2010, the Company terminated its onsite sales team. A new sales team with Re/Max is now in place. That sales team has redesigned the marketing plan for the sale of Sanderson Project Units.
27. The mechanics of listing and selling the Units, along with disbursing the proceeds of Unit sales, continue in accordance with a protocol amongst the lead financiers of these Units.

Phase 3 and 4B

28. The Company received an offer for construction financing related to these phases on August 27, 2010. The offer is being reviewed by the Company, the Monitor and certain stakeholders.

Church Lands

29. Monarch holds a mortgage against the Sanderson Project, including a charge against the Church Lands. Monarch is owed approximately \$5.8 million by Sanderson. Monarch's loan is cross-collateralized against other Development Projects.
30. The Company received two proposals from real estate brokerage firms to list the Church Lands for sale which are being reviewed by the Company, the Monitor and Monarch.
31. An unsolicited offer has also been received for the Church lands. The offer is being reviewed by the Company, the Monitor and Monarch.

**Medican (Edmonton Terwillegar) Developments Ltd. (“Terwillegar”)**

32. The Company is developing a condominium real estate project located in Edmonton, Alberta (“Terwillegar Project”). The Company planned to complete a three-phase, 275 unit condo complex.
33. Construction of Phase 1 of the Terwillegar Project is essentially complete; 54 Units are currently for sale. Phases 2 and 3 of the Terwillegar Project have not been developed.
34. As described in previous reports, Phase 1 of the 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 security registrations in favour of Monarch, with an estimated balance of \$402,000 (based on \$5,500 per Unit multiplied by 73 Units not yet closed), and Macdonald Terwillegar Properties Ltd. (“Macdonald Terwillegar”), with an estimated balance of \$3.57 million in addition to a bonus payment of \$2.4 million upon repayment of its mortgage.
35. On July 29, 2010, the Company had intended to seek Court approval of a priority charge in favour of Macdonald Terwillegar to provide funding of marketing, construction and other costs to a maximum of \$800,000 to allow for the sale of all Phase 1 Units. Following discussions among the Company, MCAP and Macdonald Terwillegar on the terms of a Court order, the Company deferred seeking that relief.
36. The Monitor has been advised that the terms of the priority charge in favour of Macdonald Terwillegar have now been agreed to by the stakeholders in this Development Project. A form of Court order is appended to the Affidavit. The Monitor respectfully recommends that this Honourable Court approve the order based on the draft filed with the Affidavit.

**Medican (Westbank) Land Ltd.**

37. The Company's Development Project known as "Kaleido at Westwind" ("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.
38. Construction of Phase 1 of Kaleido was completed in September, 2008, with 82 units being marketed for sale. There are 54 units remaining for sale ("Kaleido Units").
39. Phases 1, 2 and 3 of Kaleido are financed by way of a secured lending facility with MCAP with an estimated balance owing of \$18.5 million. With the approval of MCAP, the Company selected a listing agent and established listing prices for the Kaleido Units. The Kaleido Units will be listed once the Company files an amended disclosure statement with the Superintendent of Real Estate in British Columbia and fulfills the requirements under the *Real Estate Development Marketing Act* (British Columbia). The Company advises that the amended disclosure statement will be filed as soon as possible.
40. The Phase 4-7 lands of Kaleido are financed by way of a secured lending facility with Zoltan and Margaret Majoros with an estimated balance owing of \$3.4 million. Subsequent registrations have been made by Monarch which total approximately \$3.7 million and which are cross-collateralized with other Development Projects.
41. The Monitor received from Monarch, on a confidential basis, an appraisal of the lands comprising the remaining six phases of Kaleido. The Monitor received a report on the determination of fair market value in this appraisal from an independent appraiser it engaged.

42. The Company proposes that the Phase 4-7 lands of Kaleido be marketed for sale pursuant to the sale process (“Sale Process”) in the form approved by this Honourable Court on July 29, 2010 related to other Development Projects in these CCAA Proceedings. The Sale Process is summarized in Appendix “C” and more fully described in the form of Bid Procedures Order made by this Honourable Court. The Monitor has been advised by Monarch, one of the Kaleido Project stakeholders, that it supports proceeding on this basis.
43. As the Sale Process is consistent with the process for marketing other bare land Development Projects, the Monitor respectfully recommends that it be approved in connection with the Phase 4-7 lands of Kaleido.

#### **Cimarron (Medicine Hat)**

44. Cimarron (Medicine Hat) is a five-phase residential real estate project on 874 acres located in Medicine Hat, Alberta, for which it is planned upon its completion to yield an 1,800 unit residential development (the “Cimarron Project”). The Company has been involved with the development of 380 acres comprising the “Hatview Lands” (160 acres), the “Coulee Lands” (100 acres) and the “Church Lands” (120 acres). 64 acres of the Hatview Lands were purchased and were transferred to Medican Group. The remaining 96 acres were subject to an agreement for sale which had been extended from time to time. The Coulee Lands and the Church Lands were subject to agreements for sale.

45. Pursuant to the Fourth Report, the Monitor advised that the Company and Harvest entered into an arrangement whereby Harvest would purchase the 64 acres owned by the Company for \$3.7 million plus an assumption of the approximately \$2.2 million in mortgages registered on the lands (“Harvest Agreement”). Harvest would then proceed to raise funds necessary to purchase the remaining 316 acres in respect of the development. The agreement with Harvest provides for Medican Group to share in the management and development profits on a 50-50 basis with Harvest. Harvest paid the Company the \$3.7 million in four instalments.
46. Since the Fourth Report the Monitor has clarified certain elements of the Cimarron Project and agreements between Harvest and Medican Group, including the Harvest Agreement. With respect to the Cimarron Project, the Coulee Lands are no longer available. The Company’s agreement to purchase those lands has expired. Harvest was unable to reach an agreement for the remaining 96 acres of the Hatview Lands. It appears those lands are no longer available. The project will now comprise 164 acres rather than the initial 380 acres.
47. The Harvest Agreement comprises the sale of the approximately 64 acres pursuant to an agreement for purchase and sale (“PSA”) and a memorandum of understanding (“MOU”) in respect of the Company’s participation in the development as set out in a Development Project Management Agreement (the PSA, MOU and Development Project Management Agreement are collectively referred to as the “Cimarron Documentation”). The Cimarron Documentation is appended to the Affidavit.

48. The MOU provides that Harvest will retain Medican Group to manage the development of the 64 acres on a fee basis to be not less than 3% of the development expenses. With respect to acquisition of the Church Lands, Medican Group will earn the same fee as on the approximately 64 acres plus 50% of the profits from the development of the Church Lands (after deduction of the fee payable to Medican Group).
49. The Monitor has reviewed a projected revenue and expense statement assuming the Harvest Agreement is completed. The Monitor has also reviewed appraisals obtained by Medican Group in 2008 and 2009 on the 64 acres. Based on that review, the purchase price paid by Harvest is, in the Monitor's view, fair market value. Moreover, it appears that there may be value to the Company in excess of \$4 million related to the Cimarron Project. The Company's interest in the Cimarron Project will form part of the Company's CCAA plan of compromise and arrangement, which is currently being developed. Based on the foregoing, the Monitor respectfully recommends that the Company's arrangement with Harvest as outlined in the Cimarron Documentation be approved by this Honourable Court.

## **7<sup>TH</sup> STREET PROPERTY**

50. This property is a commercial building located in Medicine Hat, Alberta, owned by R7. The 7<sup>th</sup> Street Property was listed for sale with an asking price of \$448,000.
51. Pursuant to the Fourth Report, the Monitor summarized an offer accepted by the Company from Cypress for the 7<sup>th</sup> Street Property ("7<sup>th</sup> Street Offer") with a purchase price of \$430,000. The 7<sup>th</sup> Street Offer is conditional on Court approval and approval by the City of Medicine Hat of the planned future use of the building within 21 days of Court approval of the sale. The 7<sup>th</sup> Street Offer is appended to the Affidavit.

52. Court approval of the 7<sup>th</sup> Street Offer was adjourned on August 12, 2010, the return date of the Company's motion, as a party potentially subject to an intent to lease the 7<sup>th</sup> Street Property for a period of 7 years ("Intent to Lease") raised certain objections.
53. Bank West holds a mortgage against the property and is owed approximately \$131,000. Upon closing the sale of the property, funds remaining after payment of commissions, property taxes and the Bank West mortgage (approximately \$270,000) will be held by Fraser Milner Casgrain LLP ("FMC") pending an assessment of priority entitlement to those funds.
54. The Company and the Monitor have reviewed the Intent to Lease and the objections raised by the proposed tenant. While some of the proposed tenant's objections may be valid, entering into a lease as outlined in the Intent to Lease renders the 7<sup>th</sup> Street Property uneconomic. The Monitor, with Medican Group's assistance, prepared a projected cash flow statement assuming the Intent to Lease was in place. The cash flows are negative - Medican Group would be unable to service the Bank West mortgage, property taxes and other carrying costs. Moreover, the Company does not have the funds on hand to renovate the 7<sup>th</sup> Street Property in accordance with the tenant's requirements.
55. In the Monitor's view, entering into the Intent to Lease would be detrimental to certain of the Company's stakeholders. The Monitor has considered the terms of the 7<sup>th</sup> Street Offer. It is beneficial to the Company and its stakeholders and the Monitor respectfully recommends that it be approved by this Honourable Court.

## R7 PROPERTIES

56. R7 owns completed residential properties located in Medicine Hat, Alberta. The majority of the properties are listed for sale and/or rented to third parties.
57. The Company received the R7 Offers, which are described below:
- An offer from Vladimir Gonchar in the amount of \$112,500 to purchase a property located at 303-1648 Saamis Drive NW (“Saamis Property”)<sup>2</sup>. The Saamis Property is subject to a mortgage with TD Canada Trust with a balance of approximately \$71,000. The Saamis Property was previously leased. The Monitor has been advised that the tenant caused significant damage before it vacated the Saamis Property and remains in poor condition; and
  - An offer from Gerald and Marjorie Kornelson in the amount of \$292,000 to purchase a property located at 435-29 River Ridge Drive NW (“River Ridge Property”). The River Ridge Property is subject to a mortgage with Scotia Mortgage Corporation with a balance of approximately \$278,000. The River Ridge Property was listed for sale with Signature Service Real Estate with a listing price of \$295,000.
58. Copies of the R7 Offers are appended to the Affidavit.
59. The Monitor has reviewed background information on the R7 Offers, including comparable transactions. The Monitor respectfully recommends that the R7 Offers be approved by this Honourable Court as the consideration payable thereunder appears to be reasonable. The proceeds, net of closing costs and the mortgages described above, would be held by FMC pending determination of entitlement to such funds.

---

<sup>2</sup> Notwithstanding the expiry date of the offer, the Monitor has been advised that Mr. Gonchar has waived the conditions in his offer and is prepared to complete the transaction on existing terms.

## MONITOR'S ACTIVITIES

60. In addition to the activities referenced in this Report, the Monitor's activities since the date of the Fourth Report include:

- Continuing to attend at the Company's head office premises on a daily basis to carry out its duties under the Initial Order and subsequent orders;
- Reviewing the Company's cash flow;
- Reviewing claims resulting from the Claims Process;
- Continuing to communicating with creditors;
- Corresponding with certain real estate agents representing the Company;
- Reviewing offers for the Company's Units;
- Communicating with counsel to certain stakeholders; and
- Drafting this Report.

## CONCLUSION AND RECOMMENDATION

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

\* \* \*

All of which is respectfully submitted this 3<sup>rd</sup> day of September, 2010.



**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  
 Summary of Accepted Unit Offers Since May 26, 2010  
 As at September 1, 2010

Date	Site	Phase	Closing	Suite	Asking Price (\$)	Accepted Price (\$)
5/28/2010	Terwillegar	1	6/18/2010	304	230,000	222,869
5/28/2010	Terwillegar	1	6/25/2010	104	225,000	217,776
5/29/2010	Canvas @ Millrise	4	7/9/2010	2127	224,900	214,900
5/31/2010	Canvas @ Millrise	4	7/30/2010	2129	224,900	209,677
5/31/2010	Canvas @ Millrise	4	7/30/2010	2121	224,900	214,900
5/31/2010	Canvas @ Millrise	4	7/30/2010	2125	224,900	214,900
6/1/2010	Canvas @ Millrise	4	7/23/2010	2122	179,900	169,900
6/1/2010	Legend @ Creekbend	2	6/30/2010	315	256,000	254,000
6/2/2010	Terwillegar	1	7/15/2010	102	249,000	240,311
6/2/2010	Canvas @ Millrise	3	7/21/2010	2108	179,900	169,900
6/2/2010	Canvas @ Millrise	4	7/25/2010	2134	184,900	174,900
6/2/2010	Sanderson	2	10/1/2010	B306	491,612	468,700
6/2/2010	Canvas @ Millrise	4	7/16/2010	2124	179,900	169,900
6/2/2010	Canvas @ Millrise	4	6/30/2010	2139	204,900	194,900
6/4/2010	Legend @ Creekbend	2	9/1/2010	431	171,491	172,491
6/4/2010	Canvas @ Millrise	4	6/30/2010	2131	224,900	214,900
6/8/2010	Terwillegar	1	7/5/2010	228	225,000	218,024
6/10/2010	Canvas @ Millrise	4	7/19/2010	2231	259,900	249,900
6/14/2010	Canvas @ Millrise	3	8/1/2010	2217	249,000	234,496
5/29/2010	Sanderson Ridge	4A	10/1/2010	F140	560,300	504,300
6/7/2010	Sanderson Ridge	3	pre sale	A013	471,900	419,805
6/14/2010	Sanderson Ridge	2	9/3/2010	B308	393,830	356,850
6/19/2010	Canvas @ Millrise	4	7/30/2010	2126	259,622	254,400
6/19/2010	Canvas @ Millrise	3	7/30/2010	2412	279,900	264,900
6/19/2010	Canvas @ Millrise	4	9/30/2010	2128	256,622	241,350
6/21/2010	Canvas @ Millrise	3	7/2/2010	2135	249,900	239,900
6/22/2010	Legend @ Creekbend	2	7/28/2010	219	198,000	204,000
6/23/2010	Sanderson Ridge	3	pre sale	A202	499,900	438,650
6/23/2010	Legend @ Creekbend	3	pre sale	143	199,000	189,000
6/24/2010	Axxess @ Terwillegar	1	7/23/2010	106	173,000	164,000
5/29/2010	Sanderson Ridge	4A	10/1/2010	F140	560,300	504,300
6/7/2010	Sanderson Ridge	3	pre sale	A013	471,900	419,805
6/14/2010	Sanderson Ridge	2	9/3/2010	B308	393,830	356,850
6/19/2010	Canvas @ Millrise	4	7/30/2010	2126	259,622	254,400
6/19/2010	Canvas @ Millrise	3	7/30/2010	2412	279,900	264,900
6/19/2010	Canvas @ Millrise	4	9/30/2010	2128	256,622	241,350
6/21/2010	Canvas @ Millrise	3	7/2/2010	2135	249,900	239,900
6/22/2010	Legend @ Creekbend	2	7/28/2010	219	198,000	204,000
6/23/2010	Legend @ Creekbend	3	pre sale	143	199,000	189,000
6/23/2010	Sanderson Ridge	3	pre sale	A202	499,900	438,650
6/24/2010	Legend @ Creekbend	3	pre sale	338	289,900	279,000
6/25/2010	Axxess @ Terwillegar	1	7/5/2010	314	213,000	203,489

6/26/2010	Canvas @ Millrise	4	7/21/2010	2410	224,900	214,900
6/29/2010	Canvas @ Millrise	4	8/25/2010	2137	239,900	229,900
6/30/2010	Canvas @ Millrise	3	8/16/2010	2131	224,900	214,900
7/5/2010	Cercle des Cantons	2	7/10/2010	105	210,000	170,000
7/7/2010	Canvas @ Millrise	4	9/30/2010	2423	269,900	257,000
7/8/2010	Legend @ Creekbend	3	pre sale	243	201,000	191,000
7/14/2010	Sanderson Ridge	3	pre sale	A317	699,900	641,155
7/15/2010	Canvas @ Millrise	4	8/18/2010	2325	259,900	242,000
7/15/2010	Canvas @ Millrise	3	8/3/2010	2130	199,900	189,900
7/17/2010	Axxess @ Terwillegar	1	8/23/2010	414	210,000	198,644
7/21/2010	Canvas @ Millrise	3	8/4/2010	2230	209,900	199,900
7/22/2010	Cercle des Cantons	2	8/6/2010	100	295,000	250,000
7/25/2010	Cercle des Cantons	2	8/6/2010	307	390,000	325,000
7/25/2010	Cercle des Cantons	2	8/6/2010	204	270,000	230,000
7/31/2010	Axxess @ Terwillegar	1	9/1/2010	113	154,070	153,570
8/1/2010	Cercle des Cantons	2	9/15/2010	201	295,000	241,000
8/3/2010	Axxess @ Terwillegar	1	8/27/2010	327	249,000	237,404
8/3/2010	Cercle des Cantons	2	9/1/2010	110	293,802	259,802
8/4/2010	Legend @ Creekbend	2	11/1/2010	226	257,000	253,000
8/9/2010	Axxess @ Terwillegar	1	9/10/2010	323	167,000	162,000
8/9/2010	Axxess @ Terwillegar	1	9/10/2010	223	166,000	162,000
8/10/2010	Axxess @ Terwillegar	1	9/15/2010	116	212,000	208,334
8/12/2010	Cercle des Cantons	2	8/23/2010	101	295,000	245,000
8/21/2010	Axxess @ Terwillegar	1	9/17/2010	119	154,070	154,070
8/22/2010	Axxess @ Terwillegar	1	10/18/2010	123	162,000	154,070
8/23/2010	Canvas @ Millrise	3	9/23/2010	2408	224,900	214,900
8/23/2010	Axxess @ Terwillegar	1	9/17/2010	128	223,000	215,601
8/26/2010	Canvas @ Millrise	4	10/1/2010	2335	269,900	259,900
8/28/2010	Axxess @ Terwillegar	1	9/15/2010	121	185,000	171,550
8/31/2010	Canvas @ Millrise	3	9/20/2010	2209	264,900	250,900
					19,302,693	17,997,543

**Medican Group of Companies**  
**CCAA Proceedings**  
**Summary of Proofs of Claim filed by the Canada Revenue Agency**  
**(CDN \$)**

COMPANY	CRA Claim - Property		CRA Claim - Unsecured	
	GST	Payroll	GST	Corporate Tax
Medican Holdings Ltd.				
R7 Investments				
Medican Concrete Inc.	192,914.05		7,018.87	
1144233 AB Ltd (Central/Vitality)	31.09			
9150-3755 Quebec Inc (Bagot Land)				
Axxess (Sylvan Lake) Developments Ltd.	42,146.49		1,570.90	170,325.31
Elements (Grande Prairie) Developments Ltd.				
Lake Country (Sitara) Developments Ltd.	57,860.02		4,363.41	
Medican (Grande Prairie) Holdings Ltd.				
Medican (Lethbridge - Fairmont Park) Developments Ltd.				
Medican (Sylvan Lake) Developments Ltd.	191.75			
Medican (Westbank) Land Ltd.				
Medican Developments (Medicine Hat Southwest) Inc.				
Medican Equipment Ltd.	11,144.59		357.27	
Medican General Contractors Ltd				
Riverstone (Medicine Hat) Developments Ltd	2,085.56			38,050.67
Sierras of Eaux Claires (Edmonton) Developments Ltd.				
Sylvan Lake Marina Development Ltd				
The Legend (Winnipeg) Developments Ltd.				
Medican Developments Inc.	4,884.86		293.80	87,597.23
Medican Construction Ltd	900,272.36	32,972.23	23,903.60	101,788.61
1090772 AB Ltd (Investments)				25,532.14
1344241 AB Ltd.				
Axxess (Grande Prairie) Developments Ltd.	45,929.84		3,244.74	
Canvas (Calgary) Developments Ltd.	335,497.59		5,198.75	593,186.53
Homes By Kingsland Ltd.				115,048.46
Medican (Edmonton Terwillegar) Developments Ltd.	46,022.53			43,417.97
Medican (Kelowna Move) Developments Ltd.				5,442.13
Medican (Red Deer - Michener Hill) Developments Ltd.				
Medican (Westbank) Developments Ltd.	161,817.54		7,364.13	
Medican Concrete Forming Ltd.	55,241.37		3,953.09	
Medican Enterprises Inc/Les Entreprises Medican Inc				
Medican Framing Ltd.	37,414.02		2,317.58	19,600.43
Medican General Contractors 2010 Ltd.	4,090.71		720.55	
Sanderson of Fish Creek (Calgary) Developments Ltd.	1,527,656.52		28,515.44	
Sonata Ridge (Kelowna) Developments Ltd.				
The Estates of Valleydale Developments Ltd.	9,078.53		488.58	
Watercrest (Sylvan Lake) Developments Ltd.				
Sierras of Inglewood (St Albert) Developments Ltd			*	201,686.31
<b>TOTALS</b>	<b>3,434,279.42</b>	<b>32,972.23</b>	<b>89,310.71</b>	<b>1,401,675.79</b>

\* Not included in CCAA proceedings

## Medican Group of Companies – Sales Procedure and Solicitation Process

### Medican (Westbank) Land Ltd. - Phases 4, 5, 6 and 7

Overview of contemplated sales procedure and solicitation process (“**Sale Process**”) for certain of the Company’s undeveloped bare lands (“**Property**”):

1. The Monitor will generate a list of prospective purchasers based on: a listing of potential real estate holding and development companies generated through an external data provider; recent industry news/transactions; consultation with local real estate brokerage firms; and input from the Company’s management/advisors and the existing secured lenders.
2. The Monitor will contact industry associations, investment banks and other contacts for potential interest.
3. The Monitor will place an advertisement regarding this opportunity in the national edition of *The Globe and Mail* newspaper and, potentially, industry publications and regional/local media, in order to identify prospective purchasers.
4. The Monitor and the Company will distribute to prospective purchasers an interest solicitation letter (“**ISL**”) detailing the acquisition opportunity on or before September 20, 2010. Attached to the ISL will be a confidentiality agreement (“**CA**”). Should a party be interested in performing due diligence and receiving additional information, it would first be required to execute the CA.
5. The Monitor and the Company will prepare a confidential information package (“**CIP**”) that would be made available to parties who execute a CA. The CIP will provide an overview of the Property, existing pro-formas and potential opportunities associated therewith.
6. Prospective purchasers will have the opportunity to perform due diligence, including reviewing information in a “**data room**” to be made available to prospective purchasers in electronic format. The data room may include excerpts of appraisal(s) of the Property, though the appraised market values would not be disclosed.
7. The Monitor and the Company will facilitate site visits for prospective purchasers.
8. The Monitor and the Company will provide to prospective purchasers a draft asset purchase agreement. Prospective purchasers will be advised that offers should be submitted in this format (or substantially in this format).
9. The Monitor and the Company will require prospective purchasers to submit binding offers to the Monitor by 5:00 p.m. (Calgary Time) on October 18, 2010. Offers would remain open for acceptance for a period of 10 days pending negotiations and entering into definitive agreements. The Company is not obligated to accept the highest, or any, offer.
10. The first secured creditor shall have the right to participate in the Sale Process and file a credit bid at no less than the appraised value of the Property.
11. Any sale would be subject to Court approval.

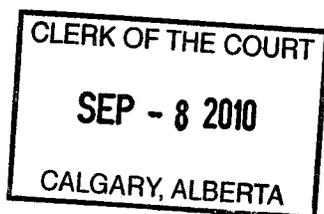
IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY

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.

Petitioners

FIFTH REPORT TO THE COURT OF RSM RICHTER INC. AS  
CCAA MONITOR OF THE MEDICAN GROUP OF COMPANIES  
DATED SEPTEMBER 3, 2010



Macleod Dixon <sup>LLP</sup>

3700 Canterra Tower  
400 Third Avenue SW  
Calgary, Alberta T2P 4H2  
Telephone: (403) 267-8222  
Fax: (403) 264-5973

Attention: Howard A. Gorman

File No. 267783/HAG