

Clerk's stamp:

COURT FILE NUMBER
COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE

1001-07852

CALGARY

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND THE JUDICATURE ACT, R.S.A. 2000, c. J-2, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MEDICAN HOLDINGS LTD., MEDICAN DEVELOPMENTS INC., R7 INVESTMENTS LTD., MEDICAN CONSTRUCTION LTD., MEDICAN CONCRETE INC., 1090772 ALBERTA LTD., 1144233 ALBERTA LTD., 1344241 ALBERTA LTD., 9150-3755 QUEBEC INC., AXCESS (GRANDE PRAIRIE) DEVELOPMENTS LTD., AXCESS (SYLVAN LAKE) DEVELOPMENTS LTD., CANVAS (CALGARY) DEVELOPMENTS LTD., ELEMENTS (GRANDE PRAIRIE) DEVELOPMENTS LTD., HOMES BY KINGSLAND LTD., LAKE COUNTRY (SITARA) DEVELOPMENTS LTD., MEDICAN (EDMONTON TERWILLEGAR) DEVELOPMENTS LTD., MEDICAN (GRANDE PRAIRIE) HOLDINGS LTD., MEDICAN (KELOWNA MOVE) DEVELOPMENTS LTD., MEDICAN (LETHBRIDGE – FAIRMONT PARK) DEVELOPMENTS LTD., MEDICAN (RED DEER – MICHENER HILL) DEVELOPMENTS LTD., MEDICAN (SYLVAN LAKE) DEVELOPMENTS LTD., MEDICAN (WESTBANK) DEVELOPMENT LTD., MEDICAN (WESTBANK) LAND LTD., MEDICAN CONCRETE FORMING LTD., MEDICAN DEVELOPMENTS (MEDICINE HAT SOUTHWEST) INC., MEDICAN ENTERPRISES INC. / LES ENTREPRISES MEDICAN INC., MEDICAN EQUIPMENT LTD., MEDICAN FRAMING LTD., MEDICAN GENERAL CONTRACTORS LTD., MEDICAN GENERAL CONTRACTORS 2010 LTD., RIVERSTONE (MEDICINE HAT) DEVELOPMENTS LTD., SANDERSON OF FISH CREEK (CALGARY) DEVELOPMENTS LTD., SIERRAS OF EAUX CLAIRES (EDMONTON) DEVELOPMENTS LTD., SONATA RIDGE (KELOWNA) DEVELOPMENTS LTD., SYLVAN LAKE MARINA DEVELOPMENTS LTD., THE ESTATES OF VALLEYDALE DEVELOPMENTS LTD., THE LEGEND (WINNIPEG) DEVELOPMENTS LTD., and WATERCREST (SYLVAN LAKE) DEVELOPMENTS LTD.

(THE PETITIONERS)

DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

FRASER MILNER CASGRAIN LLP

Bankers Court

15th Floor, 850 - 2nd Street S.W.

Calgary, Alberta T2P 0R8

Attention: David W. Mann / Derek Pontin

Ph. (403) 268-7097/6301 Fx. (403) 268-3100

File No.: 526686-1

AFFIDAVIT OF TYRONE SCHNEIDER

Sworn on November 22, 2012

I, Tyrone Schneider, of Alberta, SWEAR AND SAY THAT:

1. I am the president of 1539319 Alberta Ltd., the Court appointed chief restructuring officer to all of the Petitioners (the "CRO") appointed to assist with the restructuring of the Petitioners. As

such, I am familiar with the books and records of these proceedings and have personal knowledge of the matters herein deposed to except where stated to be based upon information and belief, in which case I do verily believe the same to be true.

2. All capitalized terms used in this Affidavit shall have the meaning ascribed to them in the Affidavit sworn by Mr. Wesley Reinheller and filed in these proceedings on May 25, 2010 (the "Initial Affidavit") unless otherwise indicated in this Affidavit.
3. I swear this Affidavit in support of the application of the Petitioners to extend the stay period in these proceedings (the "**Stay**") in respect of Medican (Westbank) Development Ltd. and Medican (Westbank) Land Ltd. (collectively, the "**Kaleido Companies**"), and Sanderson of Fish Creek (Calgary) Developments Ltd. ("**Sanderson**").
4. I have had the opportunity to review the Twenty First Report of Ernst & Young Inc., the court appointed monitor of the Petitioners in these proceedings (the "**Monitor**") and I agree with the summaries and recommendations provided therein.

Background

5. On November 30, 2011, the Medican Group filed a Plan of Compromise and Arrangement (the "**Plan**") in respect of all of the Petitioners apart from the Kaleido Companies and Sanderson. On January 11, 2012, a substantial majority of the Affected Creditors (as defined in the Plan) voted in favour of the Plan, and on January 13, 2012 the Plan was sanctioned by Order of the Court. While the implementation of the Plan was delayed pending confirmation of CIBC's security, this has been resolved and it is expected that the Plan will be implemented on December 31, 2012.
6. On December 5, 2011, February 29, 2012 and May 30, 2012, Orders were made lifting the Stay, to a limited extent, to allow receivership and foreclosure proceedings in respect of certain lands owned by the Kaleido Companies to commence. The allocation of the CCAA charges in respect of these lands has not yet been resolved.
7. The remaining entity in respect of which these proceedings continue is Sanderson, as summarized in the Monitor's Twenty First Report. Sanderson is currently involved in the construction and development of a multi-phase condo project in south Calgary (the "**Sanderson Project**").
8. Sanderson has a net profit interest in the Sanderson Project (the "**NPI**"), which is a valuable asset of Sanderson and will be a key part of its emergence from these proceedings. It is necessary for the Sanderson Project to be completed for Sanderson to realize its NPI, but several issues continue to delay the completion of the Sanderson Project which will need to be resolved before Sanderson can complete its restructuring.
9. As set out in more detail below, unresolved disputes exist between Sanderson and Monarch Land Ltd. ("**Monarch**"), Aviva Insurance Company of Canada, represented by its agent National Home Warranty Group Inc. (collectively "**NHW**") and the Condominium Corporation No. 0912007 ("**Condo Corp.**") in relation to the Sanderson project.

Monarch

10. Sanderson entered into various agreements with Monarch with the goal of completing the Sanderson Project. Sanderson is of the position that, among other things, Monarch has breached various parts of its agreements with Sanderson and may be, based on legal advice, in violation of the stay of proceedings. A part of this dispute involves the rectification of existing deficiencies in the Sanderson Project. These issues will need to be determined before Sanderson and Monarch can continue in the development and construction of the Sanderson Project.
11. In addition, on August 8, 2012 Monarch filed an Application in these proceedings seeking a declaration that it is the owner of 45 parking stalls located at the Sanderson Project pursuant to the agreements referenced above. Sanderson opposed Monarch's Application and took the position that Sanderson is and has been at all material times the owner of the 45 parking stalls.
12. On or about September 11, 2012 the Honourable Madam Justice Horner ordered a trial of an issue to determine the ownership of the 45 parking stalls. Since that Order was been granted the parties have exchanged pleadings and most have filed Affidavits of Records.

National Home Warranty Group

13. NHW has purported to de-enrol all unsold and unoccupied condominium units in the Sanderson Project. Sanderson is of the position that the de-enrolment was and is unlawful. It is necessary to resolve, among other issues, whether the purported de-enrolment is of any force or effect, whether Sanderson and the unit owners are entitled to coverage by NHW, and whether NHW is liable for resolution of any or all of the deficiencies in the Sanderson Project.

Condo Corp.

14. The Condo Corp. has purported to levy a special assessment against the units in the Sanderson Project that were owned by Sanderson at the time of the special assessment. Sanderson will need to resolve, among other issues, whether the special assessment is of any force or effect, whether the Condo Corp. is in violation of the stay of proceedings, and the priority of the special assessment in relation to the pre-existing encumbrances registered against the condominium units.
15. On November 7, 2012, Sanderson filed an Application seeking a declaration that the purported special assessment levied by the Condo Corp. is in violation of the Stay, that the purported special assessment is of no force and affect, and that the Condo Corp. is in contempt of this Honourable Court, and related relief. That Application is adjourned *sine die* pending the receipt of responding materials from the Condo Corp., CIBC and the Monitor, and questioning on Affidavits, if necessary. Counsel to the various parties are in agreement that responding materials will be filed by the end of November, 2012 and any questioning will occur by December 21, 2012, with a view to determining Sanderson's Application as soon as reasonably possible in 2013.

