

Action No.: 1001-07852
Deponent: Tyrone Schneider
Date Sworn: June 10, 2010

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

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

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

The Petitioners

AFFIDAVIT

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

INTRODUCTION

1. I am the president of 1539319 Alberta Ltd., the restructuring consultant to all of the Petitioners (the "**Consultant**") retained to assist with the restructuring of the Petitioners. As such, I am familiar with the books and records of these proceedings and have personal

knowledge of the matters herein deposed to except where based upon information and belief, in which case I do verily believe the same to be true.

2. All capitalized terms used in this Affidavit shall have the meaning ascribed to them in the Affidavit sworn by Mr. Wesley Reinheller and filed in these proceedings on May 25, 2010 (the "**Initial Affidavit**") unless otherwise indicated in this Affidavit.

3. I swear this Affidavit in support of the Notice of Motion filed by the Medican Group in these proceedings on Thursday, June 10, 2010 ("**Motion**") for the following relief:

- (a) an Order, substantially in the form as attached to the Motion as **Schedule "A"**, seeking a general procedure by which the sale of residential units can be conveyed to purchasers (the "**Approval and Vesting Order**");
- (b) an Order, substantially in the form as attached to the Motion as **Schedule "B"**, approving a claims process;
- (c) an Order, substantially in the form as attached to the Motion as **Schedule "C"**, seeking the following relief:
 - (i) granting an extension to the Stay Period granted in these proceedings under the provisions of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") from the current expiry date of June 11, 2010 to August 12, 2010;
 - (ii) confirming that the amounts owing to the Consultant pursuant to the Consulting Agreement are secured by the Administration Charge; and
 - (iii) authorizing an additional draw of the remaining \$1,000,000 under the existing DIP Lending Facility.

4. I have read the First Report of the Monitor, dated June 10, 2010 (the "**Monitor's First Report**"), and agree with the contents thereof.

5. Since the date of the Initial Order, the Medican Group has worked closely with the Monitor and has moved as quickly as circumstances have permitted to stabilize its operations, communicate with its stakeholders, prioritize its Projects, and develop a viable plan - both for the near future in respect of addressing each of its Projects and, ultimately, a restructuring plan to enable the Medican Group to emerge from these proceedings.

OPERATIONS

Personnel

6. Immediately after the Initial Order was granted the Medican Group finalized its engagement of the Consultant, through its legal counsel and my consulting company, to assist the Medican Group with its restructuring. Attached hereto and marked as Exhibit "A" to this my Affidavit is a copy of the consulting agreement (the "**Consulting Agreement**"), dated May 27, 2010, the salient points of which include:

- (a) the Consultant will provided full time restructuring services to the Medican Group throughout this restructuring;
- (b) subject to the Orders granted in these proceedings, the Consultant will have the authority to communicate on behalf of, and bind, the Medican Group; and
- (c) as consideration of the Consultant's services, the Medican Group will pay the Consultant the sum of \$20,000 per month, plus expenses and an indemnity in respect of claims brought against the Consultant, all of which will be, subject to the approval of this Honourable Court, secured by the Administration Charge.

7. I and the management team of Matt Rood and Jason Fleury, remain committed to restructuring the Medican Group and, in addition to the matters described in more detail below, have taken a number of steps to improve the management of the Medican Group, including:

- (a) communicating with the staff about these restructuring proceedings;
- (b) reminding past and present staff of their obligations to the Medican Group;

- (c) incentivizing staff to bring forward all information and ideas that will assist management in these proceedings; and
- (d) implementing cost control procedures that will bring greater efficiencies to the Medican Group's operations, including project accounting and employee expense reimbursement policies.

8. One of the key personnel of the Medican Group is David Mudrack, who is a minority shareholder in, and instrumental in the operations of, Medican Concrete. Medican Concrete has historically generated - and is projected to again generate - substantial profits for the Medican Group. We and the Monitor have met with Mr. Mudrack and are in the process of ensuring that Mr. Mudrack will remain committed to the success of Medican Concrete.

Unit Sales

9. Maintaining the ongoing sale of the Medican Group's completed inventory of residential property, whether as lots, condominium units, housing units or parking units ("**Residential Units**") is critical to this restructuring, not only to generate revenue but also to retain the confidence of its customers and its lenders. While the Initial Order authorizes the Medican Group to continue selling Residential Units, this has been virtually impossible to do given that the Medican Group is unable to deliver clear title without getting discharges that, in turn, require payments to be made to pre-filing creditors.

10. Since the date of the Initial Order, a number of unit sales have been scheduled to close and more are scheduled to close over the next 60 days. To date, we have been able to close sales in trust (and grant possession to purchasers on a "tenancy-at-will" basis) pending the development of a closing mechanism that addresses the interests of all parties to the transaction.

11. Working with our legal counsel in various jurisdictions, the Monitor, and Monitor's counsel, we have developed a mechanism that will facilitate unit sales, which is set out in the form of Order proposed as the Approved and Vesting Order, the salient features of which are as follows:

- (a) the Monitor reviews all sales to ensure that they are appropriate and issues a Monitor's Certificate in respect of such sale to inform the relevant land titles office of the details of that particular sale;
- (b) the Monitor's Certificate incorporates the terms of the Approval and Vesting Order, which in turns vests clear title in favour of a purchaser and requires the Net Proceeds of the sale to be held in trust with Medican Group's counsel;
- (c) the Net Proceeds 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 DIP Lending Charge, the Administration Charge, and the Director's Charge (as each term is defined in the Initial Order and shall be henceforth referred to collectively as the "Beneficiaries of the Charges"); and
- (d) the Approval and Vesting Order also provides that: (i) any reserve for the Beneficiaries of the Charges is without prejudice to further applications respecting the allocation of the Charges; (ii) courts of other jurisdictions are called upon to assist as necessary; and (iii) the transactions contemplated are protected from subsequent review under the *Bankruptcy and Insolvency Act*.

12. I do verily believe that the mechanism devised under the Approval and Vesting Order is fair and reasonable in the circumstances and is an efficient method to continue inventory sales and protect the interests of all parties involved in each transaction.

Material Agreements

13. The Medican Group and the Monitor have had extensive discussions with The Toronto Dominion Bank (the "**Bank**") to ensure that Medican Concrete Inc. and Medican Construction have sufficient liquidity to continue operating their respective businesses in the ordinary course of business. The details of these discussions are summarized in the Monitor's First Report.

14. The Cost-Plus Projects have the potential to generate significant revenues to the Medican Group and we continue to work on maintaining these projects. I agree with the update on each of the Cost-Plus Projects included in the Monitor's First Report.

STAKEHOLDERS

Communication

15. On June 1, 2010 the Monitor served a notice via regular mail, on all of the known creditor of the Medican Group that were owed more than \$1,000. On that same date, the Medican Group also sent a letter to its trade creditors. Attached hereto and marked as Exhibit "B" and "C", respectively, to this my Affidavit are copies of the form of the notices that were sent out by the Monitor and the Medican Group, respectively.

16. The Monitor has established a website which provides a current update of the Medican Group's restructuring, as well as making available most of the filings and other related documents that the Medican Group is using in these CCAA proceedings. The address of the website is www.rsmrichter.com/restructuring.aspx.

17. Since the date of the Initial Order representatives of the Medican Group and the Monitor have tried to have meaningful discussions with as many of the Medican Group's lenders as possible. Unfortunately, in many cases we have not yet had sufficient time to advance these discussions as far as we, and our lenders, would like. Certainly our intention is to continue with those discussions should an extension of the Medican Groups' Stay Period be granted, but in the meantime two major initiatives have been prioritized:

- (a) addressing the Development Projects (particularly those where work is currently underway); and
- (b) reviewing the various claims against each Development Project.

18. With respect to assessing the 22 Development Projects listed in Exhibit "C" to the Initial Affidavit, these projects range from bare land, to projects in mid-developments, to completed inventory. In each case, it is the Medican Group's intention to, in conjunction with the Monitor, assess what equity may be available to the Medican Group. If none is perceived, then the

Medican Group will work with the relevant stakeholders to devise a process that will see the project monetized in a manner that is coordinated with these proceedings and does not duplicate conventional methods of liquidation. If value is perceived, then the Medican Group will work with the relevant stakeholders to best realize that value.

19. In the near term, the Medican Groups' priority is to work with the Monitor to continue the sale of Residential Units (discussed above) and ensure that projects in mid-development are not unduly interrupted, thereby causing a material loss in value.

20. The most pressing example of the latter project is The Legend at Creek Bend, a 112 unit development undertaken by The Legend (Winnipeg) Developments Ltd. in Winnipeg, Manitoba, the details of which are summarized in the Monitor's First Report.

21. Two other Development Projects, being the Sanderson Project and the Michener Project, are also a priority for Medican Group and the Monitor. Funding/completion proposals for these two projects are currently being considered and we expect to be back before this Honourable Court as soon as practicable (and well in advance of August 12, 2010) to approve arrangements that would see these two Projects continue.

22. Other Development Projects and Cost-Plus Projects as discussed in more detail in the First Monitors Report will also be addressed during the requested Stay Period with a view towards returning before this Honourable Court on one or more occasions in advance of August 12, 2010 to approve various "Project-related" arrangements.

23. The Medican Group has had discussions with a number of other stakeholders, including insurers, condominium associations, regulators, and others. It continues to work with these constituents and will address their concerns as matters progress.

24. As outlined in the Monitor's First Report, the Medican Group received an unsolicited letter of intent late in the day on June 8, 2010 to purchase and assume debt (the "Offer") in respect of nine Development Projects. Assuming the Stay Period is extended as requested, the Medican Group, along with the Monitor, will be meeting with the prospective offeror to assess the Offer early next week.

Claims Process

25. The second priority item that has arisen is determining what claims exist against each Project. Accordingly, the Medican Group is seeking the approval of this Honourable Court to conduct a claims process to determine the nature, quantum, validity, and enforceability of each claim against the Medican Group for the following reasons:

- (a) in order for the Medican Group and its stakeholders to assess the equity available in each Project, an assessment of the claims against each Project must be undertaken;
- (b) the books and records of the Medican Group are inaccurate in a number of respects, such that the Petitioners' ability to undertake this process unilaterally is hampered;
- (c) moreover, given the cross-collateralization and guarantees that impact on recoverability of multiple parties against multiple entities of the Medican Group, a more formal process needs to be undertaken to ensure fairness to all parties; and
- (d) it appears that some claims need to be reviewed to determine their enforceability.

26. The Medican Group has worked with the Monitor in developing the form of Order attached as **Schedule "B"** to the Motion (the "**Claims Process Order**"). The Monitor approves the proposed process and order, and supports this application. I am advised by counsel, and do verily believe to be true, that the Claims Process Order and the process contemplated by it is similar to that used in other CCAA proceedings, save and except that this process provides that the review of secured claims against Projects can be accelerated to allow a prompt resolution to claims such that Projects may be dealt with on a timely basis in the manner described above.

27. The Medican Group is proposing that the Notice to Creditors and Proof of Claim Document Packages will be mailed, respectively as **Schedule "A"** and **"B"** to the Claims Process Order, to all parties listed in the current accounts payable records of the Applicants, whether or not the records show an amount due, and that the same documents will be sent to any

other parties (or their counsel if applicable) believed by the Applicants to have claims or possible claims against them.

28. Based on discussions with the Monitor, and with its concurrence, the Petitioners are proposing that a notice substantially in the form of the notice attached as Schedule "C" to the Claims Process Order be published in the Calgary Herald, the Medicine Hat News, and newspapers in centres where the Development Projects are located.

29. The Claims Bar Date set out in the proposed Claims Process Order is July 30, 2010. This Claims Bar Date will see the claims process with respect to all Creditors substantially completed by August 31, 2010. To expedite the claims process with respect to Secured Creditors of the Projects, any Secured Creditor may submit its claim earlier than the Claims Bar Date, and the Applicants and the Monitor are compelled to respond to the Claim within 20 days. If there is a disputed claim, the Claims Process Order incorporates an accelerated process to settle the dispute in a streamlined manner.

30. I do verily believe that the proposed claims process is fair and reasonable in the circumstances and provides an important mechanism for these proceedings to continue in a timely and efficient manner.

FINANCIAL

31. Attached to the Monitor's First Report are the Medican Group's consolidated cash flows for the period ended September 3, 2010 (the "Cash Flows"). The Cash Flows have been prepared in conjunction with the Monitor.

32. The Medican Group and the Monitor have been in discussions with the DIP Lender who has indicated it is prepared to advance the additional amount available under the DIP facility attached as Exhibit "F" to the Initial Affidavit (the "DIP Facility").

33. I do verily believe that the additional funding under the DIP Facility is fair and reasonable in the circumstances on the basis that:

- (a) it is required only for essential and anticipated needs of this restructuring;

- (b) it is advanced for use by a new management team that is working very closely with its advisors and the Monitor;
- (c) it is, when allocated throughout the portfolio of the Medican Group's property, not burdensome on any particular stakeholder; and
- (d) the Monitor agrees the additional draw on the DIP Facility is necessary.

34. I do verily believe that the Medican Group is working in good faith and with due diligence in these proceedings and believe it is within the best interests of the Medican Group and its stakeholders to continue in these proceedings as outlined above

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

Sworn before me in the City of Calgary,)
in the Province of Alberta, the 10th day)
of June, 2010.)

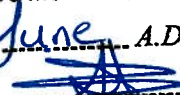
_____)
A Commissioner of Oaths in and for the)
Province of Alberta)

_____)
Scott D. Kurie)
Barrister and Solicitor)

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Scott D. Kurie)
Barrister and Solicitor)

_____)
TYRONE SCHNEIDER)

THIS IS EXHIBIT " A " referred to in the Affidavit of Tyrone Schneider Sworn before me this 10th day of June A.D. 2010

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

CONSULTING AGREEMENT

THIS AGREEMENT made this 27th day of May, 2010

BETWEEN:

MEDICAN HOLDINGS LTD., MEDICAN DEVELOPMENTS INC., ^{Scott D. Kurie} ~~ARRIST~~ ^{Bar} ~~ARRIST~~ ^{and Solicitor} 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.

all of whom are bodies corporate with offices in the Province of Alberta and are collectively referred to herein as the "Medican Group");

OF THE FIRST PART

- and -

FRASER MILNER CASGRAIN LLP, a limited liability partnership registered, and with offices, in the Province of Alberta (hereinafter called "FMC");

OF THE SECOND PART

1539319 ALBERTA LTD. a body corporate, in the Province of Alberta
(hereinafter called the "Consultant");

OF THE THIRD PART

WHEREAS:

- A. the Medican Group is engaged in the business of residential real estate development projects and construction throughout Canada;
- B. the Medican Group is currently in the process of restructuring its financial and business affairs (the "**Restructuring**") and requires assistance from a source independent of existing management;
- C. on May 26, 2010 the Medican Group was granted an Initial Order under the *Companies' Creditors Arrangement Act* (the "**CCAA**") providing, amongst other forms of relief, a stay of proceedings of the Company's creditors (the "**Initial Order**");
- D. the Consultant is knowledgeable about the Medican Group's business issues and represents that it is an independent contractor carrying on business for itself;
- E. FMC is legal counsel to the Medican Group in respect of the Restructuring;
- F. FMC desires to engage the Consultant to provide consulting services on an independent and private basis in respect of the Medican Group's business issues and to assist in the Restructuring and the Consultant agrees to provide such services; and
- G. the parties agree that the Medican Group shall be solely liable for all fees and disbursements of the Consultant for the consulting services, and that such fees and disbursements shall, subject to the approval of the CCAA Court, form part of, and be paid in priority in accordance with, the Administration Charge as defined in the Initial Order.

NOW THEREFORE in consideration of the mutual covenants and provisions herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed by the parties hereto as follows:

1. **Definitions**

In this Agreement, the following terms shall have the following meanings:

- (a) "**Agreement**" means this Consulting Agreement;
- (b) "**Effective Date**" means the date of this Agreement;
- (c) "**GST**" means goods and services tax;
- (d) "**Just Cause**" means a termination of the consulting services will be deemed to be for Just Cause if the termination is due to the Consultant or its Key Person

engaging in any conduct or omission which would entitle FMC, at law, to terminate the consulting services agreement without notice;

- (e) **"Key Person"** means Tyrone Schneider;
- (f) **"Services"** means those services related to the business of the Medican Group as set out in Schedule "A";
- (g) **"Term"** means the date commencing on the Effective Date and ending on the date that the Agreement is terminated in accordance with the provisions hereof.

2. **Independent Consultant**

- (a) The Consultant represents that it is in business for itself and that it is an independent contractor for the purposes of the *Income Tax Act*.
- (b) Nothing contained in this Agreement shall be regarded or construed as creating any relationship (employer/employee, joint venture, partnership, shareholder) between the parties other than as set forth herein.

3. **Services**

- (a) The Consultant, on a non-exclusive basis, agrees to perform those Services set out in Schedule "A".
- (b) The Services to be provided hereunder by the Consultant shall be provided by the Key Person. The Consultant shall not delegate the performance of the Services to anyone else without the prior written authorization of FMC.
- (c) The Consultant and the Key Person shall be free to provide consulting services to other non-competitive businesses provided it provides the Services in a timely fashion.

4. **Period of Services**

This Agreement shall be in effect for the Term unless terminated earlier in accordance with this Agreement.

5. **Consultant's Fees and Expenses**

- (a) In exchange for the provision of such Services to be provided hereunder, the Consultant shall be paid by the Medican Group pursuant to and in accordance with Schedule "B" to this Agreement.
- (b) The parties agree that the Medican Group will be solely liable to the Consultant for the provision of the Services, and that FMC shall not be responsible for any fees or disbursements of the Consultant arising pursuant to, or in accordance with, this Agreement.

- (c) The Medican Group shall reimburse the Consultant for all:
 - (i) project related expenses approved by the Medican Group;
 - (ii) overhead corporate related expenses approved by the pertinent administrative supervisor;
 - (iii) reimbursement will be made upon the submission of a written itemized expense claim and proper supporting documentation with a reasonable amount of time after such expenses have been incurred.

6. Indemnification of the Consultant

The Medican Group hereby indemnifies and holds harmless the Consultant, and its officers, directors, agents, and advisors (including the Key Person and any other individuals retained by the Consultant who are approved by FMC to assist with the provision of the Services), against all claims and liabilities, howsoever arising ((including without limitation (i) all costs, charges and expenses (including legal expenses on a solicitor and its own client basis), and (ii) any amount paid to settle an action or satisfy a judgment, reasonably incurred by the Consultant in respect of any civil, criminal or administrative action or proceeding to which the Consultant is made a party)) by reason of performing or having performed services under this Agreement unless the Consultant is found to have been either grossly negligent or guilty of wilful misconduct by a court of competent jurisdiction.

7. Consultant's Obligations

- (a) The Consultant shall be responsible for deducting, remitting, and paying all insurance, federal and provincial income tax, Canada Pension Plan deductions, Employment Insurance Premiums and Workers' Compensation coverage ("**Taxes**") for the Key Person it employs.
- (b) In the event that Canada Revenue Agency, for whatever reason, seeks FMC or the Medican Group or a director of the Medican Group, Taxes on the Fees, the Consultant agrees to indemnify FMC and/or the Medican Group or its directors, as the case may be, the amount of any such Taxes (including any applicable interest and penalties) within thirty (30) days of FMC and/or the Medican Group, as the case may be, claiming such Taxes from the Consultant. The Medican Group may set off an amount equal to any such Taxes (including interest and penalties) from any Fees owed to the Consultant. FMC may charge and be reimbursed by the Medican Group an amount equal to any such Taxes (including interest and penalties), and the Medican Group may in turn set off that amount from any Fees owed to the Consultant.
- (c) The Consultant agrees to perform, and cause the Key Person to perform the Services with that standard of care, skill and diligence normally provided by a professional person/organization in the performance of similar services.

- (d) The Consultant shall comply with all applicable federal, provincial and municipal laws, rules and regulations arising out of or connected with the performance of the services under this Agreement by the Consultant, its employees, or the Key Person.
- (e) The Consultant shall be responsible for obtaining workers' compensation coverage and liability insurance coverage in connection with the performance of the Services under the Agreement.

8. Injunctive Relief

The parties agree that the provisions of Section 7 are essential and reasonable and, if breached, may be, without prejudice to any and all remedies which may be available at law or equity, remedied by injunctive relief for a breach of the covenants of the Consultant and its employees (without limitation including the Key Person) under Section 7 and the Consultant hereby agrees that FMC shall be entitled to injunctive relief, including an interim injunction, in any court of competent jurisdiction, to enforce any of the covenants of the Consultant and its employees (without limitation including the Key Person) therein upon the breach or threatened breach thereof.

9. Privacy Law

The Consultant acknowledges and confirms that it is responsible for compliance at all times with applicable privacy laws which govern the collection, use and disclosure of personal information acquired by or disclosed to the Consultant pursuant to or in connection with this Agreement and the performance of the Services.

10. Termination

- (a) This Agreement may be terminated immediately for Just Cause in which case Consultant will be provided with payment of accrued fees up to the date of such termination in full and final satisfaction of any amounts owing pursuant to the Agreement.
- (b) Either FMC or the Consultant may terminate this Agreement without Just Cause upon providing the other with two (2) weeks advance written notice. In the event that the Consultant provides notice of termination hereunder, FMC may terminate this Agreement at any time prior to the conclusion of the two (2) weeks notice period without notice and without giving rise to further obligation by FMC or the Medican Group to the Consultant.

11. Notice

Any written notice required or permitted under this Agreement shall be given to the parties at the following addresses:

- (a) Notice to the Company:

Medican Group of Companies
1870A, 6th Avenue, S.W.,
Medicine Hat, AB T1A 7X5

Attention: Mr. Wes Reinheller
Facsimile: (403) 526-3843

(b) Notice Fraser Milner Casgrain LLP:

15th Floor Bankers Court
850 - 2nd Street S.W.
Calgary, AB T2P 0R8

Attention: Mr. David W. Mann
Facsimile: (403) 268-3100

(c) Notice to the Consultant:

1539319 Alberta Ltd.
261-1st Street NW
Medicine Hat, AB
T1A 6H3

Attention: Mr Tyrone Schneider
Facsimile: (403) 527-8871
Email: tschneider@mbsicanada.com

Changes in the above addresses must be given by either party to the other in writing. Written notice shall be deemed to have been properly given or made when delivered personally, when sent by facsimile, or when placed properly addressed and postage prepaid, in the Canadian mail. Notices sent by mail shall be deemed to have been received four (4) days after posting in Canada.

12. Other Conditions

- (a) This Agreement contains the entire understanding and agreement between the parties. There are no oral statements, representations or agreements between the parties. This Agreement cannot be amended, modified or replaced in any respect except by subsequent written agreement executed by the parties.
- (b) This Agreement may not be assigned by the Consultant without the prior written consent of FMC.
- (c) This Agreement shall be deemed to have been made and shall be construed in accordance with the laws of the Province of Alberta, and for the purpose of all legal proceedings this Agreement shall be deemed to have been performed in the

said Province and the Courts of the said Province shall have jurisdiction to entertain any action arising from this Agreement.

- (d) The invalidity or unenforceability of any particular provision of this Agreement shall not affect any other provision thereof, and this Agreement shall be construed as though such invalid provision were omitted. Furthermore, if any of the provisions of this Agreement shall contravene or be invalid under the laws of the Province of Alberta, then it is agreed that such contravention or invalidity shall not invalidate the whole Agreement, but the Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid in the Province of Alberta, and the rights and obligations created herein this Agreement shall be construed and enforced accordingly.
- (e) Time shall be of the essence hereof.
- (f) All obligations of the Medican Group hereunder are joint and several obligations of the Medican Group and all obligations of the Consultant to the Medican Group may be discharged by the Consultant in favour of any member of the Medican Group and, unless expressly provided in writing by either the Medican Group or FMC, the discharge of any particular obligation in favour of any member of the Medican Group shall serve as discharge of such obligation in favour of each and every member of the Medican Group.

13. Survival

Sections 6, 7, 8, 9, 11 and 12 shall survive the termination of this Agreement.

14. Counterpart

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts. Each counterpart, when so executed, shall be deemed to be an original and all of which taken together shall constitute one and the same agreement and the

delivery of a counterpart of this Agreement by telecopier or e-mail transmission by any party shall be binding upon the parties hereto.

IN WITNESS WHEREOF the parties hereto have executed these presents with effect from the date first above written.

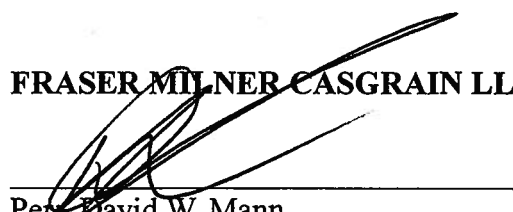
MEDICAN HOLDINGS LTD., MEDICAN DEVELOPMENTS INC., R7 INVESTMENTS LTD., MEDICAN CONSTRUCTION LTD., MEDICAN CONCRETE INC., 1090772 ALBERTA LTD., 1144233 ALBERTA LTD., 1344241 ALBERTA LTD., 9150-3755 QUEBEC INC., AXCESS (GRANDE PRAIRIE) DEVELOPMENTS LTD., AXCESS (SYLVAN LAKE) DEVELOPMENTS LTD., CANVAS (CALGARY) 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.,

by their authorized representative, Wesley Reinheller




Wesley Reinheller

FRASER MILNER CASGRAIN LLP



Per: David W. Mann

1539319 ALBERTA LTD.



Tyrone Schneider

SCHEDULE "A"

Services

The Consultant shall provide such services as may be necessary or appropriate in connection with restructuring the business and affairs of the Medican Group and its subsidiaries and affiliates and, in this regard, is authorized and empowered to:

- communicate with such persons, whether related to the Medican Group or not, as may be appropriate;
- disseminate such information as it considers necessary or appropriate;
- make binding commitments on behalf of the Medican Group in the aggregate amount of [**\$10,000**] or, with the written approval of the Medican Group, such greater amounts;
- agree to such settlements or compromises of claims owing to or from the Medican Group in amounts not to exceed [**\$10,000**] for any single event, or such greater amounts as may be approved in writing by the Medican Group;
- do such further and other things as may be incidental or ancillary to the foregoing or to otherwise give full or better effect to the Restructuring and the provisions of this Agreement.

SCHEDULE "B"

15. The Consultant shall be paid by the Medican Group the sum of [\$ NTD: Insert] per month.
16. The Consultant shall invoice (the "Invoice") the Medican Group on a monthly basis for all fees, costs, and expenses owing hereunder in respect of that period.
17. The Medican Group shall pay the Consultant the amount owing on an Invoice immediately on the presentment thereof.
18. Unpaid Invoices shall bear interest at 24% per annum.
19. The payment of all Invoices and Fees of the Consultant shall, subject to approval of the CCAA Court, form part of, and be paid in priority in accordance with, the Administration Charge as defined in the Initial Order.

RSM Richter

June 1, 2010

VIA POST

To the Creditors of the
Medican Group

Dear Sirs;

Re:

Companies' Creditors Arrangement Act ("CCAA") Proceedings
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. ("Medican Group")

Action No: 1001-07852

Take notice that on May 26, 2010, the Medican Group made application to the Court of Queen's Bench of Alberta (the "Court") and was granted an Order (the "Initial Order") under the CCAA to stay proceedings against the Medican Group and allow it time to develop a plan of arrangement and compromise. RSM Richter Inc. was appointed as monitor (the "Monitor") of the business and financial affairs of the Medican Group.

The initial stay of proceedings is for 15 days. The Court may extend the initial stay period. Consequently, creditors of the Medican Group may not take action to collect amounts owed to them by the Medican Group, nor are creditors at liberty to cancel agreements, or repossess equipment or assets without an Order of the Court, following an application made on notice to the Medican Group and the Monitor.

RSM Richter is an independent member firm of RSM International,
an affiliation of independent accounting and professional firms.

THIS IS EXHIBIT "B"
referred to in the Affidavit of
Tyronne Schneider
Sworn before me this 10th
June A.D. 2010
RSM Richter Inc.
3810, 20th Avenue SW., Calgary, AB T2P 1K7
Tel: 403.233.8462 Fax: 403.233.8388
www.rsmrichter.com
A COMMISSIONER FOR OATHS
AND FOR THE PROVINCE OF ALBERTA
Robert J. Taylor, CA, CIRP
Direct dial: 403.233.7112
E-mail: btaylor@rsmrichter.com

Scott D. Kurie
Barrister and Solicitor

A copy of the Initial Order and supporting documents have been posted on our web site at www.rsmrichter.com, (follow the "Insolvency Files" link then refer to the "Medican" listing for "Available Public Information" link). Please refer to the Initial Order for clarification and more detailed information.

If you would rather that a copy of the Initial Order be mailed to you, please call our offices. If you wish to speak to a representative of the Monitor, please contact one of the following individuals:

Bob Taylor: 403.233.7112
(btaylor@rsmrichter.com)

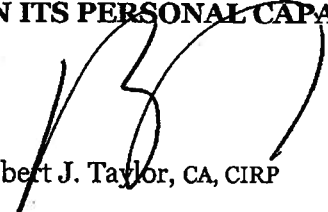
Nicole Do: 403.206.0877
(ndo@rsmrichter.com)

During the Medican Group's restructuring proceedings, it will continue to carry on business under the direction of its management, subject to the provisions of the Initial Order and any further Order of the Court.

At present, creditors are not required to file a proof of claim. The Monitor will provide you with further information in due course.


Yours very truly,

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



per: Robert J. Taylor, CA, CIRP



THIS IS EXHIBIT " C "
referred to in the Affidavit of
Tyrone Schneider
Sworn before me this 10th
day of June A.D. 2010

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

June 1, 2010

To our Trade and Supplier partners and Consultants

We want to advise you that Medican has sought and obtained an Order pursuant to the Companies' Creditors Arrangement Act ("CCAA") before the Court of Queen's Bench of Alberta, Judicial District of Calgary, on May 26th, 2010.

Scott D. Kurie
Barrister and Solicitor

The CCAA process involves presenting a plan to the Court that clearly outlines how a company intends to restructure. Through the protection afforded by this Act, Medican anticipates formulating a plan whereby it will be able to honor its obligations to its stakeholders. Medican is required to return and report to the court on June 11, 2010. During this period, Medican will be working diligently with RSM Richter Inc. to devise a plan to restructure its obligations and pay creditors. On June 11, 2010, Medican intends to return to the court to report on the status of the Medican Group, and to seek an extension of time to implement the go forward plan.

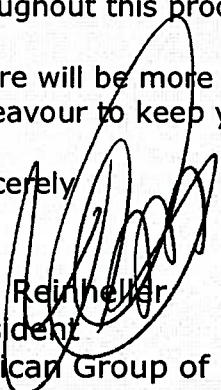
This step was taken with great reluctance, but necessary in order for Medican to restructure its creditor obligations. In granting Medican protection under the CCAA, the Court has appointed the firm of RSM Richter Inc. as 'Monitor' to oversee all operations. Mr. Robert J. Taylor of RSM Richter has been assisting the executive management of the Medican Group of companies. Under the direction of Tyrone Schneider who has been retained by Fraser, Milner, Casgrain LLP, the Richter group will continue to monitor all corporate restructuring and corporate proceedings while the Order is in effect. A copy of the Initial Order can be obtained by visiting the website at <http://www.rsmrichter.com/Restructuring/Medican.aspx>. If you wish to speak to a representative of the Monitor, please contact:

Robert J. Taylor at btaylor@rsmrichter.com (403-233-7112)
Nicole Do at ndo@rsmrichter.com (403-206-0877)

Medican recognizes the continued support of its contractors and suppliers as critical to the success of this restructuring. We hope to continue to work with you throughout this process and in the future.

There will be more updates as time goes by and further events unfold. We will endeavour to keep you fully informed of circumstances as they occur.

Sincerely,


Wes Reinheiser
President
Medican Group of Companies

Action No. 1001 – 07852
Deponent: Tyrone Schneider
Date Sworn: June 10, 2010

**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.

The Petitioners

AFFIDAVIT

FRASER MILNER CASGRAIN LLP

Barristers and Solicitors
15th Floor Bankers Court
850 2 Street SW
Calgary, Alberta T2P 0R8

Solicitors: David W. Mann/Scott D. Kurie
Telephone: (403) 268-7097/(403) 268-3084
Facsimile: (403) 268-3100
File: 526686-1