

Action No.: 1001-07852  
Deponent: Tyrone Schneider  
Date Sworn: September 3, 2010

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

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

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

**The Petitioners**

**AFFIDAVIT**

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

***Introduction***

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

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

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

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

- (a) an Order, substantially in the form of the Order attached to the Motion as Schedule "A", approving the financing arrangement between Medican (Red Deer – Michener Hill) Developments Ltd. ("**Michener**") and T & E Ventures Inc. ("**TEV**") outlined in the TEV Financing Agreement (as herein defined) with respect to Michener and the Michener Project (as herein defined) and granting the TEV Charge (as herein defined);
- (b) an Order, substantially in the form of the Order attached to the Motion as Schedule "B", approving the sale of commercial property held by R7 Investments Ltd. ("**R7**") to 937335 Alberta Ltd., doing business as Cypress College ("**Cypress College**");
- (c) an Order, substantially in the form of the Order attached to the Motion as Schedule "C", approving the sale of a condominium unit held by R7 to Gerald and Marjorie Kornelson;
- (d) an Order, substantially in the form of the Order attached to the Motion as Schedule "D", approving the sale of a condominium unit held by R7 to Vladimir Goncear;
- (e) an Order, substantially in the form as attached to the Motion as Schedule "E", approving the financing arrangement between Medican (Edmonton Terwillegar) Developments Ltd. ("**Terwillegar**") and Macdonald Terwillegar Properties Ltd. ("**Macdonald Terwillegar**") outlined in the Macdonald Loan Amendments (as

herein defined) with respect to Terwillegar and the Terwillegar Project (as herein defined) and granting the Macdonald Terwillegar Charge (as herein defined);

- (f) an Order, substantially in the form as attached to the Motion as Schedule "F" seeking approval of a bid procedure in respect of Phases 4-7 of the Kaleido Project in which the Medican Group can solicit offers for the sale of that property (the "**Kaleido Bid Procedure Order**"); and
- (g) an Order, substantially in the form of the Order attached to the Motion as Schedule "G", approving the arrangement among Medican Developments (Medicine Hat Southwest) Inc., Medican General Contractors 2010 Ltd. and Harvest Group Limited Partnership, by its general partner, Harvest Group GP Corporation ("**Harvest Group**") outlined in the Cimarron Documentation (as herein defined).

4. I have had the opportunity to review the fifth report of RSM Richter Inc., the court appointed monitor of the Medican Group (the "**Monitor**"), dated September 3, 2010 (the "**Fifth Report of the Monitor**"), and I agree with the summaries of the Development Projects and the recommendations provided therein. Below is the position of the Medican Group with respect to the relief sought, as outlined above.

#### *The Michener Project*

5. As outlined in the Fifth Report of the Monitor, the "**Michener Project**" is a Development Project that comprises a three phase condominium development project located in Red Deer, Alberta. Michener is the owner of the subject lands, the Developer, and the primary borrower for the Michener Project.

#### The TEV Financing Agreement and TEV Charges

6. The Michener Project was originally financed by Paragon Capital Corporation ("**Paragon**") and 933680 Alberta Ltd ("**933**"). 933's mortgage also secures all amounts owing by the Medican Group to 933 (the "**933 Mortgage**"). The Medican Group received an offer to refinance the Michener Project from TEV that was attached to my Affidavit of August 10, 2010. Based on discussions that have occurred since that time, the Medican Group has been able to

improve on the offer from TEV. A copy of the amended TEV financing agreement is attached hereto and marked as Exhibit "A" to this my Affidavit (the "**TEV Financing Agreement**").

7. The Medican Group has reviewed the TEV Financing Agreement and agrees with the Monitor's assessment that it is in the best interest of all the Medican Group's stakeholders.

8. It is a term of the TEV Financing Agreement that, as security for its funding, TEV be granted a charge over the Michener Project (the "**TEV Charge**") in priority to: (i) the DIP Lender's Charge, the Administration Charge and the Directors' Charge, as defined in the Initial Order granted in these proceedings on May 26, 2010 (the "**CCAA Charges**"), and (ii) the remaining balance owing, if any, under the 933 Mortgage.

9. The initial advance under the TEV Financing Agreement is for approximately \$5,990,000 and contemplates a payout of existing stakeholders in the Michener Project as follows:

- (a) the entire amount owed to the first mortgagee, Paragon, in the amount of \$2,616,330.98 (as of September 2, 2010, with a per diem rate of interest of \$1,066.46);
- (b) a partial payment to the second mortgagee, 933, in the amount of \$1.4 million;
- (c) full payment to all creditors who delivered goods and services to Michener in relation to the Michener Project, estimated to be \$1,763,000 subject to the Monitor's review of the validity of such claims (the "**Michener Trade Creditors**"); and
- (d) a payment of \$200,000 for the benefit of the CCAA Charges.

10. The Medican Group, with the assistance of the Monitor, has made progress on the Conditions Precedent contained on pages 2 and 3 of the TEV Financing Agreement. Based on discussions with TEV and the Monitor, I do verily believe that the Conditions Precedent numbered 1 through 5 on Page 3 of the TEV Financing Agreement have been met or waived by TEV.

Basis for the TEV Financing

11. The TEV Charge was the subject of extensive negotiations and is critical to TEV's decision to provide its commitment to advance funds pursuant to the TEV Financing Agreement. The TEV Charge is limited to the project which the funds are being advanced to complete, and will not prejudice the other stakeholders of the Medican Group. Accordingly, the Medican Group is seeking Orders granting the TEV Charge, as discussed above.

12. The proposed funding by TEV is necessary to complete the Michener Project for the benefit of the Medican Group's stakeholders. The funding provides certainty with respect to the Medican Group's completion of these phases of this Development Project and provides confidence to the Medican Group's customers and stakeholders that viable Development Projects can be completed while the Medican Group restructures its affairs.

13. Moreover, the proposed funding will see all the Michener Trade Creditors paid in full, leaving only contingent claims existing in favour of unpaid real estate commissions and NHWPA, for approximately \$1 million each. Not only is this an important requirement of the TEV Financing Agreement, it will ensure a timely and efficient continuation of the construction of the Michener Project.

14. Advances pursuant to the TEV Financing Agreement will aggregate to a principal sum of approximately \$42 million and are to be advanced on terms that are acceptable to the Medican Group, and in the best interests of the Medican Group's stakeholders. Further, I have been informed by the Monitor that it supports these proposed financing arrangements.

15. The Medican Group has been in discussions with Paragon, the DIP Lender in these proceedings, and Paragon has consented to the TEV Charge. I have been informed by the Medican Group's counsel, Fraser Milner Casgrain LLP ("FMC"), and do verily believe, that the beneficiaries of the Administration Charge and the Director's Charge consent to the TEV Charge.

***The R7 – 7<sup>th</sup> Street Property Sale***

16. As discussed in the Fifth Report of the Monitor, R7 owns a residential building located in Medicine Hat (the "7<sup>th</sup> Street Property"). A copy of title in respect of the 7<sup>th</sup> Street Property is

attached hereto and marked as Exhibit "B" to this my Affidavit. As part of its restructuring efforts, the Medican Group sought to monetize the 7<sup>th</sup> Street Property, and initially considered leasing the property.

17. The Medican Group entered into negotiations with the George Schow Professional Corporation ("**Schow**") for a lease of the 7<sup>th</sup> Street Property. After various negotiations a letter of intent was entered into between R7 and Schow (the "**7<sup>th</sup> Street LOI**").

18. The 7<sup>th</sup> Street LOI was frustrated when a number of conditions were not met, and no lease could be completed. Accordingly, neither the approval of the first mortgagee nor the approval of the Court was sought for this transaction.

19. On August 4, 2010, the Medican Group received an offer (the "**7<sup>th</sup> Street Offer**") to purchase the 7<sup>th</sup> Street Property from Cypress College (I am advised by a Trade Name Search that Cypress College is a Trade Name for the numbered company 937335 Alberta Ltd.). A copy of the 7<sup>th</sup> Street Offer is attached hereto and marked as Exhibit "C" to this my Affidavit.

20. The 7<sup>th</sup> Street Offer has been negotiated in good faith with an arm's length purchaser. The 7<sup>th</sup> Street Offer is a result of the 7<sup>th</sup> Street Property being actively listed and marketed for sale. It is consistent with the appraised value for the 7<sup>th</sup> Street Property. The sale will see the mortgage holder paid out in full with equity available to the Medican Group's stakeholders. The net proceeds from the sale, once the mortgage holder has been paid out, will be held in trust by R7's counsel, FMC.

21. Further, I have been informed by the Monitor that it approves of this sale, and the Medican Group agrees with this recommendation.

***R7 – The Kornelson and Goncar Sales***

22. R7 also owns completed residential units in Medicine Hat, Alberta at the following locations:

- (a) 435 - 29 River Ridge Drive NW, Medicine Hat, Alberta, bearing a legal description of:

CONDOMINIUM PLAN 0512634  
UNITS 323 AND 341  
AND THEIR RESPECTIVE UNDIVIDED 1/10,000 SHARES IN THE  
COMMON PROPERTY EXCEPTING THEREOUT ALL MINES AND  
MINERALS

(the "**River Ridge Property**"); and

- (b) 303 - 1648 Saamis Drive NW, Medicine Hat, Alberta, bearing a legal description  
of:

CONDOMINIUM PLAN 051037  
UNITS 40 AND 118  
AND THEIR RESPECTIVE UNDIVIDED 1/10,000 SHARES IN THE  
COMMON PROPERTY EXCEPTING THEREOUT ALL MINES AND  
MINERALS

(the "**Saamis Property**"),

(copies of title for the River Ridge Property and the Saamis Property are marked as Exhibits "D" and "E", respectively, and attached to this my Affidavit and these properties are collectively referred as the "**Condominium Units**").

23. On August 11, 2010, R7 accepted an offer on the River Ridge Property from Gerald and Marjory Kornelson for the amount of \$292,000 (the "**River Ridge Offer**"). A copy of the River Ridge Offer is attached hereto and marked as Exhibit "F" to this my Affidavit.

24. On May 18, 2010, R7 accepted an offer to purchase the Saamis Property from Vladimir Gonchar for the amount of \$112,500 (the "**Saamis Offer**"). A copy of the Saamis Offer is attached hereto and marked as Exhibit "G" to this my Affidavit.

25. The River Ridge Offer was solicited pursuant to MLS and are with an arm's length purchaser. It is consistent with the appraised value of the property and its appropriate listing price.

26. The net proceeds from the sales, once the respective mortgage holders have been paid out, will be minimal from the River Ridge Offer and approximately \$37,000 from the Saamis

Offer and will be held in trust by Medican's counsel, FMC, pending either an agreement with R7's secured creditors or order of this Honourable Court.

27. I have been informed by the Monitor that it approves of these sales and the Medican Group agrees with this recommendation.

### *The Terwillegar Project*

#### The Project

28. The Terwillegar Project is a Development Project that comprises a three phase condominium development project located in Edmonton, Alberta. Terwillegar is the owner of the subject lands, the Developer, and the primary borrower for the Terwillegar Project. The Medican Group will require approximately \$200,000 in additional funding to market the remaining units of Phase 1 of the Terwillegar Project, which the Medican Group anticipates will be funded pursuant to the Macdonald Loan Amendment (discussed below).

#### The Macdonald Loan Amendments and Charges

29. The Medican Group and the Monitor have facilitated discussions among the lenders to the Terwillegar Project surrounding a loan amendment between Terwillegar and Macdonald Terwillegar with respect to the Terwillegar Project wherein Macdonald Terwillegar has agreed to finance the construction needed to complete Phase 1 of the Terwillegar Project, as outlined above (the "**Macdonald Loan Amendment**"). A copy of the Macdonald Loan Amendment is attached hereto and marked as Exhibit "H" to this my Affidavit. I understand it is currently being executed by Macdonald Terwillegar and will be filed in these proceedings as soon as practicable.

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



Basis for the Financing

31. The Macdonald Terwillegar Charge was the subject of extensive negotiations and are critical to Macdonald's decision to provide its commitment to continue to advance funds pursuant to the Macdonald Loan Amendment. The Macdonald Terwillegar Charge is limited to Phase 1 of the Terwillegar Project and will not prejudice the other stakeholders of the Medican Group. Accordingly, the Medican Group is seeking an Order granting the Macdonald Terwillegar Charge, as discussed above.

32. The proposed funding by Macdonald is necessary to complete Phase 1 of the Terwillegar Project for the benefit of the Medican Group's stakeholders.

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

***The Kaleido Bid Procedure Order***

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

35. In particular, the Monitor has recommended that Phases 4-7 of the Kaleido Project (the "**Kaleido Project**") should be sold through an organized sales process.

36. The Medican Group, with the assistance of the Monitor, developed the sales procedure in the Bid Procedure Order whereby the Kaleido Project will be marketed for sale through a bid process overseen by the Monitor.

37. The Kaleido Bid Procedure Order is necessary to maximize the value of the Kaleido Project. The terms of the Kaleido Bid Procedure Order is acceptable to the Medican Group and I do verily believe are fair and reasonable in the circumstances, generally consistent with sales

procedures in other similar circumstances (and is the same procedure as is currently being utilized by the Medican Group in respect of selling Phases 2 and 3 of the Axxess Terwillegar Project and Phases 2 and 3 of the Axxess Sylvan Lake Project), and are in the best interests of the Medican Group and its stakeholders. Further, I have been informed by the Monitor that it supports this proposed sales procedure.

***Cimarron Project/ Harvest Group Arrangement***

38. Cimarron Project is a master planned community that contains a wide range of residences and essential services such as storage, professional offices, health, schools, recreational facilities and a transit hub. The Cimarron design and concept was adopted by the City of Medicine Hat By-Law #3940 in an area structure plan on August 17, 2009.

39. The Cimarron Project is located on the southwest boundary of Medicine Hat and designed to accommodate a population of 15,000 people over an overall area of approximately 874 acres. A map outlining the current delineation of the project, and its associated landholders is attached hereto and marked as Exhibit "I" to this my Affidavit.

40. Medican Group's involvement with the Cimarron Project is summarized in the Fifth Report of the Monitor.

41. Medican Group has concluded, in conjunction with the Monitor and the other stakeholders involved in the Cimarron Project, that the most reasonable treatment of the Cimarron Project is to complete the arrangement described in paragraphs 44 through 49 of the Fifth Report of the Monitor. Attached and marked as Exhibits "J", "K", and "L" to this my Affidavit are copies of the Memorandum of Understanding, the form of Development Project Management Agreement, and Purchase and Sale Agreement, respectively, that are discussed in the Fifth Report of the Monitor (collectively, the "**Cimarron Documentation**").

42. For the reasons set forth in the Fifth Report of the Monitor, the Medican Group believes the arrangement set forth in the Cimarron Documentation is fair and reasonable in the circumstances and in the best interests of the Medican Group and its stakeholders.

43. I do verily believe that the Medican Group continues to work in good faith and with due diligence with the Monitor and all of the Medican Group's stakeholders in all respects of this restructuring.

44. 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 3<sup>rd</sup> day of )  
September, 2010. )

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

  
TYRONE SCHNEIDER

**LUKE M. DAY**  
Barrister & Solicitor in and for  
the Province of Alberta  
1870A - 6th Avenue SW  
Medicine Hat, Alberta T1A 7X5  
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Action No. 1001-07852  
Deponent: Tyrone Schneider  
Date Sworn: September 3, 2010

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

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**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**

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**AFFIDAVIT**

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**FRASER MILNER CASGRAIN LLP**

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Calgary, Alberta T2P 0R8

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