

Action No.: 1001-07852
Deponent: Tyrone Schneider
Date Sworn: September 29th, 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:**

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 29th, 2010 (the "**Motion**") for an Order, substantially in the form of the Order attached to the Motion as Schedule "A", approving the financing arrangement between Medican (Lethbridge – Fairmont Park) Developments Ltd. ("**Fairmont Park**") and 1554670 Alberta Ltd. ("**1554670**") outlined in the 1554670/Fairmont Park Financing Agreement (as herein defined) with respect to Fairmont Park and the Lethbridge Fairmont Park Project (as herein defined) and granting the 1554670/Fairmont Park Charge (as herein defined).

4. The "**Lethbridge Fairmont Park Project**" is a three phase condominium Development Project located in Lethbridge, Alberta, adjacent to an extended care facility owned by Extendicare (Canada) Inc. ("**Extendicare**") that is currently under construction pursuant to a Cost-Plus contract with Medican General Contractors 2010 Ltd. The extended care facility is scheduled to be completed in October, 2010 and it is anticipated that residents would commence moving into the care facility in November, 2010.

5. The Lethbridge Fairmont Park Project has always been considered a companion piece to the extended care facility, providing housing in support of the extended care facility. A copy of a map showing both Extendicare's completed facility and the Lethbridge Fairmont Park Project is attached hereto and marked as Exhibit "A" to this my Affidavit.

6. To my knowledge, Fairmont Park has no material creditors or assets, other than the right to acquire certain lands described in more detail below.

7. Through of series of negotiations in November of 2009: (a) Fairmont Park acquired Extendicare's right to purchase the lands for the Lethbridge Fairmont Park Project (the "**Project Lands**"); (b) Fairmont Park acquired the right to purchase a service road (the "**Service Road Lands**") from the City of Lethbridge that would allow Fairmont Park the ability to increase the density of the Lethbridge Fairmont Park Project, thereby enhancing its commercial viability, and

(c) Fairmont Park would (and in fact has already) build an access road on the Project Lands for the benefit of Extendicare's existing extended care facility.

8. Fairmont Park's purchase price of the Projects Lands and the Service Road Lands (collectively, the "Lands"), and related adjustments, is the sum of \$1,760,982. A copy of title to the Lands is attached hereto and marked as Exhibit "B" to this my Affidavit.

9. The City of Lethbridge has requested that Fairmont Park either exercise or relinquish its rights to acquire the Lands and, if the latter, it will have to close the access road to Extendicare's facility until a new purchaser, and related development, can proceed.

10. It is important to the Medican Group that it proceed with the acquisition of the Lands. Not only is the purchase price reasonable in the circumstances, the acquisition will enable Extendicare – an important stakeholder in Medican's ongoing restructuring – continued access to its facility, and the acquisition will enable Medican to proceed with what it considers to be a viable Development Project.

11. As a result, the Medican Group sought and received an offer to finance the Lethbridge Fairmont Park Project from 1554670 (the "**1554670/Fairmont Park Financing Agreement**"), the party that provided the Medican Group with financing for its Michener Project. A copy of the 1554670/Fairmont Park Financing Agreement is attached hereto and marked as Exhibit "C" to this my Affidavit.

12. The proposed funding by 1554670 is necessary to complete the purchase of the Lands and facilitate the Lethbridge Fairmont Park Project for the benefit of the Medican Group's stakeholders, and is in the best interest of the Medican Group as it will:

- (a) allow Fairmont Park to acquire the Lands at what it believes is reasonable purchase price;
- (b) generate approximately \$100,000 of surplus cash flow towards its general operations;

- (c) not prejudice any other stake holders of the Medican Group as 1554670/Fairmont Park Charge is limited to the project which the funds are being advanced to purchase;
- (d) provide the Medican Group with the economic benefit from completing the Lethbridge Fairmont Park Project (which has not yet been negotiated with 1554670) and the additional benefit of retaining its trade suppliers and consumer confidence; and
- (e) maintain an ongoing relationship with Extendicare, a significant stakeholder in Medican's restructuring, and thereby avoid potential damages to Extendicare (and/or the City of Lethbridge) if matter cannot proceed.

13. The Medican Group has reviewed the 1554670/Fairmont Park Financing Agreement and has discussed this matter with the Monitor, who has advised the Medican Group that it supports the proposed financing for the same forgoing reasons.

14. It is a term of the 1554670/Fairmont Park Financing Agreement that, as security for its funding, 1554670 be granted a charge over the Lethbridge Fairmont Park Project (the "**1554670/Fairmont Park 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 (the "**CCAA Charges**").

15. The 1554670/Fairmont Park Charge was the subject of extensive negotiations and is critical to 1554670's decision to provide its commitment to advance funds pursuant to the 1554670/Fairmont Park Financing Agreement. Accordingly, the Medican Group is seeking an Order granting the 1554670/Fairmont Park Charge, as discussed above.

16. Advances pursuant to the 1554670/Fairmont Park Financing Agreement will aggregate to a principal sum of approximately \$1,810,000 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.

17. I am advised, and do verily believe, that the Monitor has been in discussions with Paragon, the DIP Lender in these proceedings, and Paragon has consented to the

1554670/Fairmont Park 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 1554670/Fairmont Park Charge.

18. The Medican Group is working in good faith and with due diligence in these proceedings and it is within the best interests of the Medican Group and its stakeholders to continue in these proceedings as outlined above.

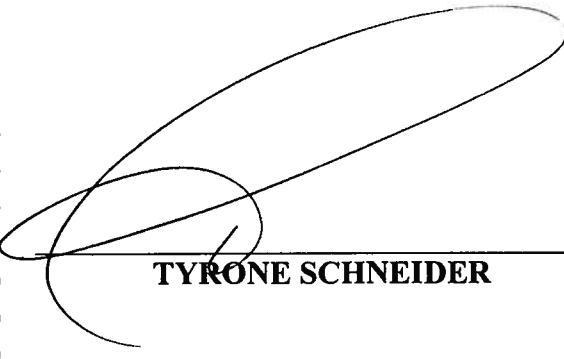
19. I make this Affidavit in support of an Application for the relief described in paragraph 3, above.

Sworn before me in the City of Calgary,)
in the Province of Alberta, the 29th day)
of September, 2010.)

)

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

Rebecca Lewis
Barrister & Solicitor)


TYRONE SCHNEIDER

SCHEDULE "C"

PLAN OF SURVEY



LEGEND

--- SUBDIVISION LINE

--- LOT LINE

1. CAR (MOTORVEHICLE) 2007/01/01

NI MEDICAN

EXTENDICARE

EXTENDICARE (CANADA) INC.
115 FAIRMONT BLVD. SOUTH
LETHBRIDGE, ALBERTA
T1C 0A9
TEL: (403) 445-2110
FAX: (403) 445-1304

ALVIN
REYNOLD
PLATE
SUSSEX INC.

THIS DRAWING IS THE PROPERTY OF THE SURVEYORS ASSOCIATION OF ALBERTA AND IS NOT TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM, WITHOUT THE WRITTEN PERMISSION OF THE SURVEYORS ASSOCIATION OF ALBERTA.

PROJECT:
EXTENDICARE FAIRMONT PARK &
MEDICAN SUPPORTIVE HOUSING
LETHBRIDGE, ALBERTA

DRAWING TITLE:
SUBDIVISION PLAN

SCALE: 1:100

DESIGNED BY: CA

CHECKED BY: CA

DATE: MAY 2007

PROJECT NO.: 0001207

DRAWING NO.: SD11

DATE OF ISSUE: 2007/05/20

HIGHWAY NO. 4

REG'D. ROAD PLAN 3371 E.Z.

EXTENDICARE
1.686 ha

LOT 48
3.155 ha

BLOCK 15

MEDICAN
1.469 ha

10

SERVICE ROAD

FAIRWAY ROAD SOUTH

FAIRMONT BOULEVARD SOUTH
FAIRMONT LINK SOUTH

LEGAL DESCRIPTION

LOT 10
BLOCK 15
PLAN: 001 0774

MUNICIPAL ADDRESS
115 FAIRMONT BLVD SOUTH
LETHBRIDGE, ALBERTA

THIS IS EXHIBIT "A"
referred to in the Affidavit of
Tyrone Schneider
Sworn before me this 29
day of SEPTEMBER, D. 2010
[Signature]
COMMISSIONER FOR OATHS
AND FOR THE PROVINCE OF ALBERTA

Rebecca Lewis
Barrister & Solicitor

Canadian Tire Store

LOT 27

4

PLAN 991 3058

FAIRMONT
UNIT 34
UNIT 35
UNIT 36
UNIT 37
UNIT 38
UNIT 39
UNIT 40
UNIT 41
UNIT 42
UNIT 43
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UNIT 97
UNIT 98
UNIT 99
UNIT 100

Bare Land Condominium Plan 001 2918



LAND TITLE CERTIFICATE

S LINC SHORT LEGAL TITLE NUMBER
0034 097 477 0914831;15;56 091 329 765

LEGAL DESCRIPTION
PLAN 0914831
BLOCK 15
LOT 56
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 1.567 HECTARES (3.87 ACRES) MORE OR LESS

ESTATE: FEE SIMPLE
ATS REFERENCE: 4;21;8;21;NE

MUNICIPALITY: CITY OF LETHBRIDGE

REFERENCE NUMBER: 091 329 757
081 090 273

THIS IS EXHIBIT " B "
referred to in the Affidavit of
Tyronne Schneider
Sworn before me this 29
Day of September A.D. 2010
[Signature]
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

Rebecca Lewis
Barrister & Solicitor

Table with 5 columns: REGISTRATION, DATE (DMY), REGISTERED OWNER(S), DOCUMENT TYPE, VALUE, CONSIDERATION. Row 1: 091 329 765, 03/11/2009, PLAN OF SURVEY - NEW TITLE.

OWNERS
THE CITY OF LETHBRIDGE.
OF 910 - 4TH AVENUE S., LETHBRIDGE
ALBERTA T1J 0P6

Table with 3 columns: REGISTRATION NUMBER, DATE (D/M/Y), ENCUMBRANCES, LIENS & INTERESTS. Row 1: 911 060 890, 26/03/1991, RESTRICTIVE COVENANT. Row 2: 951 250 680, 02/11/1995, CAVEAT.

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

PAGE 2
091 329 765

REGISTRATION
NUMBER DATE (D/M/Y) PARTICULARS

RE : RESTRICTIVE COVENANT

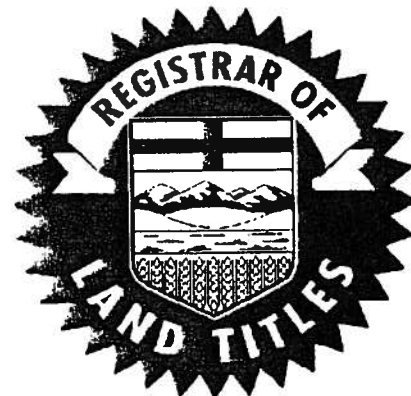
951 250 681	02/11/1995	CAVEAT RE : RESTRICTIVE COVENANT
001 087 236	04/04/2000	UTILITY RIGHT OF WAY GRANTEE - THE CITY OF LETHBRIDGE. AS TO PORTION OR PLAN:0010775
081 090 274	10/03/2008	EASEMENT OVER AND FOR BENEFIT OF: SEE INSTRUMENT

TOTAL INSTRUMENTS: 005

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE
REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED
HEREIN THIS 29 DAY OF SEPTEMBER, 2010 AT 09:06 A.M.

ORDER NUMBER:17485583

CUSTOMER FILE NUMBER: 526686-1



END OF CERTIFICATE

THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED FOR THE
SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER, SUBJECT TO WHAT IS
SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM
INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION, APPRAISAL OR
OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL
PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR
THE BENEFIT OF CLIENT(S).

THIS IS EXHIBIT " C " referred to in the Affidavit of Tyrone Schneider Sworn before me this 29 Day of September A.D. 2010.
Rebecca Lewis
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

LOAN AGREEMENT

Rebecca Lewis
Barrister & Solicitor

THIS LOAN AGREEMENT is dated the 29th day of September, 2010

BETWEEN:

MEDICAN (LETHBRIDGE – FAIRMONT PARK) DEVELOPMENTS LTD.,
a company incorporated under the laws of Alberta
(herein called the "Borrower")

AND:

1554670 ALBERTA LTD.,
a company incorporated under the laws of Alberta
(herein called the "Lender")

WITNESSES THAT:

WHEREAS the Borrower has requested and the Lender has agreed to make a Loan on the terms and conditions of this Agreement and the Security and Supporting Documents;

In consideration of the premises and other good and valuable consideration, the Borrower covenants and agrees with or warrants and represents to the Lender as follows:

ARTICLE 1

INTERPRETATION

1.1 DEFINITIONS:

The following terms used in this Agreement shall have the following meanings and all singular definitions may be used in the plural to mean more than one of the term defined and vice-versa:

"Advance" means the amount of \$1,810,000.00 (One Million Eight Hundred Ten Thousand Dollars).

"Borrower's Liabilities" – the amount of the Repayment Amount, the unpaid portions, if any, of the Lender Fees, Expenses and all costs and damages suffered or incurred by the Lender in completing the Lands or arising from a breach or default under any of the Security and Supporting Documents, and all liabilities and indebtedness now or hereafter owing, arising, due

or payable from the Borrower to the Lender whether under this Agreement or the other Security and Supporting Documents.

“Bonus” means the amount of \$1,810,000.00 (One Million Eight Hundred Ten Thousand Dollars) payable to the Lender, in addition to the Advance, in the event that the Lender receives Construction Financing for the Project or commences construction on the Project;

“Construction Financing” means the construction financing to be obtained by the Borrower for the construction of a Phase in the Development.

“Event of Default” - a default by the Borrower or a breach of covenant or agreement by the Borrower or if any warranty or representation of the Borrower is or becomes untrue or incorrect, under any of the Security and supporting Documents or any contract the benefits of which have been absolutely or conditionally assigned to the Lender, or if default occurs in any other contract between the Lender and the Borrower, or if at any time there is or has been any material change, discrepancy or inaccuracy in any written information, statements or representations heretofore or hereafter made or furnished to the Lender by or on behalf of any of the Borrower concerning the Project, the Lands or the Borrower’s financial condition, voting control or responsibilities or if the stay of proceedings provided for in the Proceedings is, for what ever reason, set aside or not maintained, or the Borrower emerges from the Proceedings on terms and conditions that are not satisfactory to the Lender and Borrower.

“Expenses” – all expenses incurred by the Lender relating to the Loan including, but without limitation, all registration fees, insurance fees or premiums and all fees and expenses for legal services.

“Insurance Policies” – all policies of hazard and liability insurance required to be delivered to the Lender pursuant to the terms of the Mortgage.

“Lands” – the land described in Schedule “A” and such additional lands as may be charged by the Mortgage or any extension thereof.

“Loan” – to provide the Borrower with financing to allow for the purchase of the Lands.

“Loan Expiry Date” – the earlier of:

- (a) the date of the first advance under the Construction Financing for the project;
- (b) the date the Loan is demanded following the occurrence of an Event of Default; or
- (c) August 30th, 2015.

“Mortgage” – a demand mortgage and all amendments and extensions thereto in the principal amount of \$3,620,000.00 to be executed by the Borrower and delivered to the Lender providing for a first registered, mortgage, pledge and charge on the Land subject only to the Permitted Encumbrances.

“Permitted Encumbrances” – easements, rights of way, restrictive covenants, and other charges on the Land and defined or described as such in the Mortgage or as approved by the Lender as set out at Schedule “B”.

“Project” – the Lands and all improvements now or hereafter located thereon, including the subdivision thereof.

“Repayment Amount” means the amount of \$3,620,000.00 (Three Million Six Hundred Twenty Thousand Dollars) which amount is the sum of the Advance and the Bonus.

“Security and Supporting Documents” - may include (but are not limited to):

- this Agreement and all document supplemental thereto;
- the Mortgage;
- opinions of counsel;
- the Certificates of Officers of the Borrower;
- a first priority charge in favour of the Lender over the Lands granted in the proceedings commenced by the Borrower and others pursuant to the provisions of the Companies' Creditors Arrangement Act (Canada), as amended (the “CCAA”), in action number 1001-07852 (the “Proceeding”), by the Court of Queen's Bench of Alberta (the “Court”).

and such other security and supporting documents as may be required by the Lender or its solicitors.

1.2 CURRENCY

All references to money amounts herein are, unless specifically otherwise stated, references to Canadian currency payable in Canada.

1.3 INCORPORATION OF PREAMBLES, RECITALS AND SCHEDULES

The Preambles and Recitals set forth herein are a part of this Agreement and the Security and Supporting Documents and Schedules hereto are incorporated by reference and made a part of this Agreement.

1.4 BONA FIDES

Any reference to this Agreement to a sale, lease or contract to which the Borrower is a party shall be interpreted to mean that it is bona fide arms-length unless otherwise specifically stated.

ARTICLE 2

THE LOAN, INTEREST AND PAYMENT THEREOF

2.1 AGREEMENT TO LEND

Subject to the terms and conditions of the Security and Supporting Documents, the Lender's discretion, compliance by the Borrower with the terms and conditions of this Agreement and until the Loan Expiry Date, the Lender agrees to advance the Loan to the Borrower.

2.2 APPLICATION OF FUNDS

The sole purpose of the loan is to enable the Borrower to purchase the Land from the City of Lethbridge, Alberta.

2.3 INTEREST

Except as hereinafter provided, the Borrower shall not pay interest on the Borrower's Liabilities.

2.4 REPAYMENT OF BORROWER'S LIABILITIES

The Borrower shall:

- (a) repay the entire balance outstanding on the Loan without notice on the Loan Expiry Date;
- (b) repay all of the Borrower's Liabilities, including the Repayment Amount from the first proceeds of the Construction Financing for the Project;

2.5 SECURITY FOR BORROWER'S LIABILITIES

All of the Borrower's Liabilities shall be deemed to be secured by all the Security and Supporting Documents as of the date hereof notwithstanding the date the Borrower's Liabilities may be advanced or incurred.

2.6 REALIZATION PROCEEDINGS

The Lender may commence realization proceedings, either judicial or extra judicial, under or in respect of the whole or any portion of the Security and Supporting Documents, immediately and without notice other than demand for immediate payment if an Event of Default has occurred. The Loan amount together with the Bonus which is due and payable and to which the Lender is entitled, including any partial discharge fees, becomes immediately payable, at the Lender's option, if:

- (a) the Borrower fails to comply with any of its obligations under this mortgage;
- (b) the property is abandoned.

2.7 ADVANCE

Subject to Article 4.1(c) of this Agreement, the Advance of the Loan of \$1,810,000.00 shall be made on or about September 30th, 2010 on the strength of a mortgage signed by the Borrower prior to registration of the mortgage if a policy of title insurance with Gap Coverage is in force.

ARTICLE 3

DISCHARGES AND CAVEATS

3.1 FULL DISCHARGE FROM THE LANDS

The Lender will provide a full discharge of the mortgage from all of the Lands upon payment to it of the Repayment Amount.

ARTICLE 4

TERMS AND CONDITIONS APPLICABLE TO ADVANCES

4.1 CONDITIONS PRECEDENT FOR ADVANCE

Without restricting or limiting any of the terms and conditions of the Security and Supporting Documents, the Lender shall not advance the Loan or any part thereof unless and until, in the opinion of the Lender, the following conditions, which only the Lender may waive, have been and continue to be satisfied:

- (a) prior to the date of the advance, the following documents and assurances, all in form, substance, parties and execution acceptable to the Lender, have been delivered to the Lender and where in the Lender's opinion necessary or advisable, filed or registered and, where required by the Lender, prepared or approved by its solicitors:
 - i) each of the Security and Supporting Documents;
 - ii) with respect to the Borrower which is a corporation:
 - aa) copies duly certified by its secretary of resolutions of its directors authorizing the borrowing or guaranteeing of the Loan as the case may be and the execution and delivery of the Security and Supporting Documents; and
 - bb) an officer's certificate and certificate of incumbency setting forth its officers and directors authorized to execute the Security and Supporting Documents;
 - iii) an opinion of the independent counsel of the Borrower, addressed to the Lender and its counsel: as to the due incorporation, organization, valid existence and

good standing with respect to filing annual reports, of such member and the due formation and existence of such member under the laws of Alberta and/or the jurisdiction of its incorporation and/or any other jurisdiction in which it is registered to carry on business and that such member has all such corporate powers and authorizations as are necessary to enable it to own and operate or develop the Project and the Land, to borrow or guarantee the Loan, as the case may be, to carry on the real estate development business and to execute, deliver and carry out its obligations under the Security and Supporting Documents and that the Security and Supporting Documents which have been delivered have been duly authorized, executed and delivered by such member; and

- iv) such further security instruments, assurances and supporting documents as from time to time may be required pursuant to the Security and Supporting Documents;
- v) that an Event of Default has not occurred; and
- (b) the Loan Expiry Date has not occurred.
- (c) the Court approves this Agreement no later than October 1, 2010 on terms reasonably satisfactory to the Borrower and Lender.
- (d) no secured claims exist against the Lands except the Charges (as defined in the Initial Order granted in the Proceedings on May 26, 2010).
- (e) the stay of proceedings provided for in the Proceedings is in full force and effect or the Borrower emerges from the Proceedings on terms and conditions satisfactory to the Lender and the Borrower.

ARTICLE 5

ADDITIONAL COVENANTS

5.1 OWNERSHIP OF THE PROJECT

Until discharge of the Mortgage, the Borrower shall remain the sole registered and beneficial owner of the Lands, unless agreed to by the parties in writing.

5.2 PERMITTED ENCUMBRANCES

Except as otherwise detailed herein, until the discharge of the Mortgage the Borrower shall maintain title to the Lands free from all charges and encumbrances whatsoever except Permitted Encumbrances and the mortgage to be given pursuant to this Agreement.

ARTICLE 6

MISCELLANEOUS

6.1 ASSIGNMENT

- (a) The Lender may, without consent, assign, grant security interests in, negotiate, pledge or otherwise dispose of Borrower's Liabilities and the Security and Supporting Documents and of its rights and security thereunder in whole or in part to any bank, person, firm, body corporate, company or other entity (the "assignee") and all rights and remedies of the Lender in connection with the interest so assigned shall be enforceable against the Borrower and other parties thereto by such assignee as the same would have been by the Lender but for such assignment. The Lender may in connection with such transactions release any information or documents in its control in connection with the Loan and the Borrower to any assignee or intended assignee;
- (b) the Borrower shall not assign or encumber its rights and obligations under this Agreement, the Loan or the whole or any part of any Advance to be made hereunder, without the prior written consent of the Lender.

6.2 SURVIVAL OF TERMS

All covenants, agreements, representations and warranties made herein, and in the Schedules hereto, shall survive the execution and delivery to the Lender of the Security and Supporting Documents and the making of all Advances.

6.3 NOTICE

Any notice required to be given hereunder shall be in writing addressed to the party to whom it is given and shall be delivered to the address stated on the first page hereof or to such other address in Alberta as the party to whom it is given shall have previously specified by written notice.

6.4 TIME OF ESSENCE

Time is of the essence of this Agreement and the other Security and Supporting Documents.

6.5 GOVERNING LAW

The Security and Supporting Documents shall in all respects be governed by and construed in accordance with the laws of the Province of Alberta.

6.6 EXECUTION IN COUNTERPARTS

This Agreement may be executed in several counterparts each of which when so executed shall be deemed to be an original and all such counterparts taken together shall constitute one and the same agreement.

6.7 WHOLE AGREEMENT AND AMENDMENT OR MODIFICATION

The rights and obligations of the parties hereto with respect to the Loan and the Project are wholly contained in this Agreement and the other Security and Supporting Documents and prior agreements are merged therein. The Security and Supporting Documents cannot be added to, amended or waived in whole or in part, or any collateral agreement thereto created orally, by letter, fax, or other written communication or by any course of conduct of the Lender, its officers, employees or agents and there are no implied terms, covenants, agreements or conditions between the parties. No amendment, waiver or modification of this Agreement or the other Security and Supporting Documents in whole or in part or any collateral agreement shall be enforceable against the Lender unless it is by a formal instrument in writing expressed to be a modification of this Agreement or the other Security and supporting Documents as the case may be and executed in the same fashion as this Agreement.

6.8 WAIVERS OF PERFORMANCE BY THE LENDER

The Lender may in its absolute discretion waive, modify or not enforce any condition or requirement hereunder or under any of the Security and Supporting Documents, with the exception of the condition set out at Article 4.1(c) of this Agreement which cannot be waived by either party. Any such waiver, modification, failure to enforce or the failure at any time by the Lender to require strict performance by the Borrower or any other party of any of the terms of this Agreement or of the terms of the other Security and Supporting Documents shall not release or diminish the obligation of the Borrower or any other party under any of the Security and Supporting Documents or affect any right of the Lender thereafter to demand strict performance therewith and any waiver of any Event of Default shall not waive or affect any similar or other Event of Default.

6.9 INCORPORATION OF MORTGAGE

The warranties, representations, covenants, terms, conditions and agreements in the Mortgage are incorporated herein and made a part hereof and are applicable hereto as if fully reproduced in this Agreement and are in addition to and enlarge and are not in substitution for those set out in this Agreement. In the event of a direct conflict between this Agreement and any of the other Security and Supporting Documents, this Agreement shall prevail. Notwithstanding that the Mortgage is expressed to be payable on a date certain, the Lender may make demand thereunder prior to the Loan Expiry Date upon an Event of Default having occurred.

6.10 NO JUDICIAL REVIEW

The Borrower acknowledges that this Agreement is entered into on the express condition that the Lender's opinions, approvals, consents, requirements, determinations and decisions and what is satisfactory or not satisfactory to it are in its sole and absolute discretion and are not subject to judicial review as to their reasonableness.

6.11 COLLATERAL SECURITY

Each item in the Security and Supporting Documents is, will or has been taken by way of additional security only, and neither the taking of such item nor anything done in pursuance hereof or thereof shall in any way prejudice or limit the rights of the Lender or the obligations of the Borrower under any other part of the Security and Supporting Documents. The rights and remedies given to the Lender hereunder and under each item of the Security and Supporting Documents shall be in addition to and not in substitution for and shall not in any way derogate from or delay or prejudice any rights or remedies to which the Lender may be entitled under any other item of the Security and Supporting Documents, any other agreement or security, or by law or in equity and such rights and remedies may be exercised consecutively or concurrently and from time to time, all as the Lender in its absolute discretion from time to time determines.

6.12 RIGHT OF FIRST REFUSAL

The Borrower agrees to give the Lender a right of first refusal to provide construction financing for the Project on the Land.

6.13 TRANSFER OF LAND

The Borrower agrees that, if by August 30th, 2015 the Borrower has not repaid the Lender in full, the Borrower shall, subject to the interests of any third parties, if any, transfer the Land to the Lender with consideration for the transfer to be shown as the amount of the Loan.

6.14 MAXIMUM PAYMENT

Notwithstanding anything herein or in any Security and Supporting Documents to the contrary, in the event that any provision of this Loan Agreement or any other Security and Supporting Document would oblige the Borrower to make any payment of interest or other amount payable to the Lender in amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Lender of interest at a criminal or prohibited rate (as such terms are construed under the *Criminal Code* (Canada) or any other applicable law), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with the same effect as if adjusted at the original date of this Loan Agreement to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the Lender of interest at a criminal or prohibited rate, such adjustment to be effected to the extent necessary in each case, as follows:

- (a) by reducing any fees and other amounts which would constitute interest for the purposes of section 347 of the *Criminal Code* (Canada) or any other applicable law; and
- (b) by reducing the amount or rate of interest exigible under Article 2 of this Loan Agreement.

6.15 SEVERABILITY

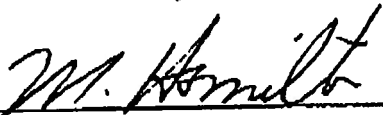
If any provision of this Agreement or of the Security and Supporting Documents shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable such provision in any other jurisdiction or any other provision of this Agreement or of the Security and Supporting Documents in any jurisdiction.

6.16 ENUREMENT

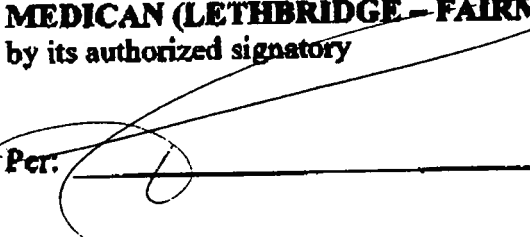
This Agreement shall be binding on and enure to the benefit of the Borrower and the Lender as well as their respective heirs, executors, administrators, successors and permitted assigns.

IN WITNESS WHEREOF the Borrower and the Lender have executed this Agreement.

1554670 ALBERTA LTD.
by its authorized signatory

Per: 

MEDICAN (LETHBRIDGE - FAIRMONT PARK) DEVELOPMENTS LTD.
by its authorized signatory

Per: 

SCHEDULE "A"

The legal description of the Land is as follows:

**PLAN 0914831
BLOCK 15
LOT 56**

Excepting thereout all mines and minerals

SCHEDULE "B"

[Permitted Encumbrances to be completed by Lender's counsel]

#911060890 Restrictive Covenant

#951250680 Caveat re: Restrictive Covenant

#951250681 Caveat re: Restrictive Covenant

#001087236 Utility Right Of Way The City of Lethbridge

#081090274 Easement

Action No. 1001-07852
Deponent: Tyrone Schneider
Date Sworn: September 29, 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

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