

**RSM** Richter

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

**RSM Richter Inc.**  
Calgary, September 29, 2010

## TABLE OF CONTENTS

INTRODUCTION.....	4
Purpose of this Report	4
Terms of Reference	4
FAIRMONT PARK.....	4
1554670/Fairmont Park Financing Agreement	6
1554670/Fairmont Park Charge	7
CONCLUSION AND RECOMMENDATION .....	8

Action No. 1001-07852

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

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

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

**SUPPLEMENT TO THE SIXTH REPORT OF RSM RICHTER INC.  
AS CCAA MONITOR OF  
THE MEDICAN GROUP OF COMPANIES**

**September 29, 2010**

## **INTRODUCTION**

1. This report (“Report”) supplements the Monitor’s Sixth Report to Court dated September 27, 2010 (“Sixth Report”).

### **Purpose of this Report**

2. The purpose of this Report is to:
  - a) Provide background information on lands in Lethbridge, Alberta subject to an agreement of purchase and sale between Medican (Lethbridge-Fairmont Park) Developments Ltd. (“Fairmont Park”) and Extendicare (Canada) Inc. (“Extendicare”) made as of January 31, 2008 (“Fairmont Park APA”); and
  - b) Respectfully recommend that this Honourable Court grant an order:
    - Approving a financing arrangement (“1554670/Fairmont Park Financing Agreement”) between Fairmont Park and 1554670 Alberta Ltd. (“1554670”) with respect to Fairmont Park and the Lethbridge Fairmont Park Project, as defined below; and
    - Approving the 1554670/Fairmont Park Charge, as defined below.

### **Terms of Reference**

3. Definitions used in this Report are as defined in the Sixth Report unless otherwise defined herein.

## **FAIRMONT PARK**

4. The Development Project known as “Lethbridge Fairmont Park Project” is located in Lethbridge, Alberta. It consists of three condominium phases adjacent to an extended care facility (“Extendicare Facility”) owned by Extendicare.

5. The Extendicare Facility is being completed by the Company under a “Cost-Plus” contract. The Company is targeting a completion date and receipt of a partial occupancy permit (“Permit”) on October 23, 2010 to permit training of the Extendicare staff such that residents of the Extendicare Facility can begin moving into the Extendicare Facility at the beginning of November, 2010.
6. The Lethbridge Fairmont Park Project complements the Extendicare Facility, providing housing for family members of Extendicare residents.
7. As referenced in previous reports to Court filed by the Monitor, the Company has other Cost-Plus contracts with Extendicare for property development and construction.
8. Pursuant to the Fairmont Park APA, Fairmont Park was to acquire the Lethbridge Fairmont Park Project lands (“Project Lands”) from Extendicare. Extendicare had earlier acquired the right to purchase the Project Lands from the City of Lethbridge (“City”). Fairmont Park paid Extendicare a deposit of \$50,000, with the balance of \$1.532 million to be paid on the date which Extendicare purchases the Project Lands from the City, which was scheduled for May 1, 2008, subject to such reasonable extensions as may be allowed by the City.
9. In November, 2009, Fairmont Park:
  - Acquired Extendicare’s right to purchase the Project Lands from the City;
  - Acquired the right to purchase a service road (“Service Road Lands”) for \$99,000 from the City, providing Fairmont Park the ability to increase the density of the Lethbridge Fairmont Park Project, thereby enhancing its commercial viability; and
  - Was contracted to build an access road on the Project Lands for the benefit of the Extendicare Facility (this has been completed).

10. The City requested that Fairmont Park either exercise or relinquish its rights to acquire the Project Lands and Service Road Lands (together, the “Lands”). If Fairmont Park does not acquire the Lands, the City advised that it would close the access road to the Extendicare Facility until such time as a new purchaser proceeds with developing the Lands.
11. The Company is also concerned that if it does not acquire the Lands before the contemplated completion date of October 23, 2010, the City will not issue the Permit. This would delay opening of the Extendicare Facility and could result in Extendicare asserting a damage claim against the Company.
12. Moreover, the Company has advised the Monitor that the purchase price for the Lands is reasonable and that future development of the Project Lands forms part of its restructuring plan. The Company is confident that the results of the Lethbridge Fairmont Park Project will be similar to the Company’s Michener Project, which is expected to provide equity for the benefit of the Company’s stakeholders. Acquisition of the Lands will also assist the Company in its ongoing relationship with Extendicare.

**1554670/Fairmont Park Financing Agreement**

13. The Company reviewed its development plans related to the Lethbridge Fairmont Park Project with 1554670 (a party related to T&E Ventures Inc., the arms-length entity that advanced construction financing on the Michener Project).
14. 1554670 offered to advance the Company \$1.81 million to purchase the Lands and make ancillary payments pursuant to the 1554670/Fairmont Park Financing Agreement. A copy of the 1554670/Fairmont Park Financing Agreement is appended to the affidavit of Tyrone Schneider sworn September 29, 2010 (“Supplemental Affidavit”).

15. Based on the Monitor's review of the contemplated transaction and the 1554670/Fairmont Park Financing Agreement, the Monitor respectfully recommends that this Honourable Court approve the 1554670/Fairmont Park Financing Agreement for the following reasons:

- It will allow Fairmont Park to acquire the Lands, the development of which the Company believes is a strategic fit with its restructuring plans;
- The terms of the 1554670/Fairmont Park Financing Agreement are consistent with other financing arrangements approved in these CCAA Proceedings;
- The 1554670/Fairmont Park Financing Agreement is projected to provide the Company with approximately \$100,000 of excess funding after payment for the Lands, payments to Extencicare and certain legal fees which will augment the Company's cash flow;
- The 1554670/Fairmont Park Financing Agreement is only with Fairmont Park, without any guarantees from, or cross-collateralized with assets of, other Medican Group entities; and
- Acquisition of the Lands pursuant to the 1554670/Fairmont Park Financing Agreement will provide ancillary benefits to the Company and its ongoing relationship with Extencicare.

#### **1554670/Fairmont Park Charge**

16. As referenced in the Supplemental Affidavit, the 1554670/Fairmont Park Financing Agreement requires 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.

17. Funding by 1554670 is conditional on the 1554670/Fairmont Park Charge being granted by this Honourable Court. Similar charges have been granted in respect of other financing arrangements in these CCAA Proceedings.

18. Paragon, the DIP lender in these CCAA Proceedings, has consented to the 1554670/Fairmont Park Charge. The beneficiaries of the Administration Charge and the Director's Charge have also consented to the 1554670/Fairmont Park Charge.
19. Fairmont Park is a single-purpose entity incorporated to acquire real estate in respect of the Lethbridge Fairmont Park Project. Minimal claims were filed against Fairmont Park pursuant to the Claims Procedure Order. It is the Monitor's view that the parties are not being prejudiced by the 1554670/Fairmont Park Charge.
20. For the foregoing reasons, the Monitor respectfully recommends that this Honourable Court grant the 1554670/Fairmont Park Charge.

## **CONCLUSION AND RECOMMENDATION**

21. The Monitor respectfully recommends that this Honourable Court grant the orders in the draft forms filed by the Company and contemplated in Section 2 b) hereof.

\* \* \*

All of which is respectfully submitted this 29<sup>th</sup> day of September, 2010.



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