

Clerk's stamp:

COURT FILE NUMBER 1001-07852
COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

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

DOCUMENT

AFFIDAVIT

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT



FRASER MILNER CASGRAIN LLP

Bankers Court
15th Floor, 850 - 2nd Street S.W.
Calgary, Alberta T2P 0R8
Attention: David W. Mann / Derek M. Pontin
Ph. (403) 268-7097/6301 Fx. (403) 268-3100
File No.: 526686-1

AFFIDAVIT OF TYRONE SCHNEIDER
Sworn on July 27, 2011

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

1. I am the president of 1539319 Alberta Ltd., the Court appointed chief restructuring officer to all of the Petitioners (the "**CRO**") appointed to assist with the restructuring of the Petitioners. As such, I am familiar with the books and records of these proceedings and have personal knowledge of the matters herein deposed to except where stated to be based upon information and belief, in which case I do verily believe the same to be true.
2. All capitalized terms used in this Affidavit shall have the meaning ascribed to them in the Affidavit sworn by Mr. Wesley Reinheller and filed in these proceedings on May 25, 2010 (the "**Initial Affidavit**") unless otherwise indicated in this Affidavit.
3. I swear this Affidavit in support of the Application by the Petitioners served by the Medican Group in these proceedings (the "**Application**") for the following relief:
 - (a) an Order, substantially in the form attached to the Application as Schedule "A", approving:
 - (i) the settlement agreement (the "**933 Settlement Agreement**") among the Medican Group and 933680 Alberta Ltd. ("**933**"); and
 - (ii) the sale and transfer of certain lands near Medicine Hat (the "**Ranch Lands**") held by R7 Investments Ltd. and Medican Construction Ltd. (collectively, the "**Ranch Lands Owners**") to 1554670 Alberta Ltd. ("**670**"), as an integral component of the 933 Settlement Agreement.
4. I have had the opportunity to review the Twelfth Report of RSM Richter Inc., the court appointed monitor of the Medican Group in these proceedings (the "**Monitor**"), dated July 27, 2011 (the "**Monitor's Twelfth Report**"), and I agree with the summaries and the recommendations provide therein.
5. As part of its restructuring efforts, Medican has been involved in extensive negotiations with 933 in an effort to resolve all claims between 933 and the Medican Group. This effort was successful and has resulted in the 933 Settlement Agreement between the Medican Group and 933, a copy of which is attached hereto and marked as Exhibit "A" to this my Affidavit.
6. The salient terms and conditions of the 933 Settlement Agreement include:
 - (a) as settlement for the claims of 933 against the Medican Group, and the Medican Group against 933, 933 will be paid the total sum of \$1,000,000 plus \$40,000 for accruing interest and legal fees (collectively, the "**Settlement Amount**");
 - (b) the Settlement Amount shall be comprised of:
 - (i) \$300,000 from the proceeds from the sale of the Ranch Lands (described herein), which is subject to the first priority mortgage of 933;
 - (ii) \$700,000 from the proceeds from the sale of 933's first mortgage security on the property commonly referred to as the "Ranch House" (a copy of title to

which is attached hereto and marked as Exhibit "B" to this my Affidavit (the "Ranch House"). The Ranch House is owned by 1123749 Alberta Ltd. in trust for Solid Rock Trust, both of which are not parties to these CCAA proceedings; and

- (iii) \$40,000 in cash from the Medican Group;
 - (c) all claims of the parties against each other shall be released and discharged pursuant to the terms of a mutual release, which shall form part of the closing of the 933 Settlement Agreement;
 - (d) Court approval is required by July 28, 2011; and
 - (e) closing shall occur by August 15, 2011 or at such later date as may be agreed to in the Settlement Agreement.
7. The Medican Group has negotiated an offer (the "670 Offer") whereby 670 has agreed to acquire the Ranch Lands in connection with the security on the Ranch House. Copies of the 670 Offer and the certificate of title in respect of the Ranch Lands are attached hereto and marked as Exhibits "C" and "D", respectively, to this my Affidavit.
8. The salient terms and conditions of the 670 Offer include:
- (a) as consideration for the transfer of the Ranch Lands, 670 will pay the sum of \$320,000 to the Medican Group;
 - (b) the Medican Group will transfer the Ranch Lands to 670, or its nominee, free and clear of all interests of the Medican Group and all parties claiming through the Medican Group; and
 - (c) the agreement is subject to: (i) the approval of this Honourable Court, and (ii) 670 concurrently acquiring 933's mortgage on the Ranch House.
9. The Medican Group believes the transactions contemplated in the 933 Settlement Agreement and the Ranch Lands Purchase Agreement are reasonable, necessary and in the best interest of the Medican Group and its stakeholders.
10. The 933 Settlement Agreement will resolve the claims of 933, avoid expensive and uncertain litigation, and be primarily funded by the sale of an asset that is not a part of these proceedings.
11. Further, the 933 settlement is demonstrative of the Medican Group's continued efforts to successfully restructure, and compliments the positive cash flows and forward progress the Medican Group has created since the commencement of these restructuring proceedings.

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

SWORN BEFORE ME at Fort McMurray)
Alberta, this 27th day of July, 2011.)

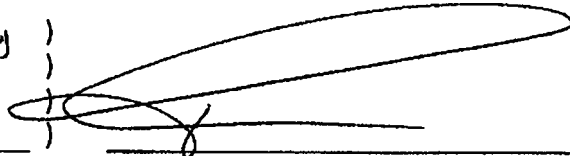


Commissioner of Oaths in and for the Province
of Alberta

HELENA van MERKOM
Barrister & Solicitor

Commissioner for Oaths and
Notary Public in and for
the Province of Alberta

PRINT NAME AND EXPIRY/LAWYER
/STUDENT-AT-LAW



(Signature)

Tyrone Schneider

(Print Name)

EXHIBIT "A"

SETTLEMENT AGREEMENT

DATED this 26th day of July, 2011, among:

THE MEDICAN CORPORATIONS SET FORTH IN SCHEDULE "A" TO THIS AGREEMENT
(collectively, the "Medican Group")

- and -

933680 ALBERTA LTD., a body corporate registered to carry on business in the Province
of Alberta (referred to as "933")

- and -

1554670 ALBERTA LTD., a body corporate registered to carry on business in the
Province of Alberta ("670")

THIS IS EXHIBIT " A "
referred to in the Affidavit of
Tyrone Schneider
Sworn before me this 27
Day of July A.D. 2011
[Signature]
A COMMISSIONER FOR OATHS
HELENA VAN NIEKROM
Barrister & Solicitor
Commissioner for Oaths and
Notary Public in and for
the Province of Alberta

WHEREAS:

A. The parties have agreed, subject to the terms and conditions set forth in this Agreement, that they will settle all Claims that exist between their respective groups.

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 between the parties as follows:

ARTICLE 1 – DEFINITIONS

1.1 **Definitions.** In this Agreement, the following terms shall have the following meanings:

- (a) "Additional Settlement Amount" means the aggregate of: (i) interest on the balance of the Settlement Amount that remains owing, from and after the Closing Date, which shall be charged at the rate of 18% *per annum*, calculated and compounded monthly, and (ii) all costs incurred by 933, including legal expenses on a solicitor and his own client basis from and after the Closing Date;
- (b) "Agreement" means this settlement agreement;
- (c) "Approval Order" means an order of the Court approving this Agreement which order shall be in full force and effect, free of any stay or other impediment to execution, and is not subject to any application to vary or set aside or to any appeal;
- (d) "Business Day" means a day that is not: (i) a Saturday, (ii) a Sunday, or (iii) a day that a Schedule "I" Bank (as defined in the *Bank Act (Canada)*) is required to be closed in the City of Calgary;
- (e) "Canadian Dollars" or "Cdn. \$" or "\$" shall mean lawful money of Canada;
- (f) "Claims" shall mean any and all secured, unsecured or trust claim of every nature and kind and howsoever arising, including, without limitation, debts, dues, rights, actions, causes of action, third party claims, rights by way of indemnity, surety or set-off and securities, whether legal, beneficial, equitable, absolute or contingent, liquidated or unliquidated, vested or not vested, due or accruing due, present or future, known or unknown, and shall include any and all claims surrounding the Chartwell Sale, and any previous transactions that 933 was involved in with Medican, including all previous

actions, or actions, matters and agreements, written, oral and implied, by and between the parties, howsoever arising;

- (g) **"Closing"** shall mean the full and final completion of the transactions contemplated herein at the Closing Time and the Closing Date
- (h) **"Closing Date"** shall mean August 15, 2011, or such later date as the parties may agree in writing;
- (i) **"Closing Time"** shall mean 10:00 a.m. (Calgary time) on the Closing Date;
- (j) **"Court"** shall mean the Court of Queen's Bench of Alberta presiding in the Proceedings;
- (k) **"CRO"** shall mean the Chief Restructuring Officer of the Medican Group, 1539319 Alberta Ltd., including its principal, Tyrone Schneider;
- (l) **"Effective Time"** shall mean 12:01 a.m. on the Closing Date;
- (m) **"Medican Group"** shall have the meaning ascribed to that term in the description of parties in this Agreement;
- (n) **"Monitor"** means the monitor appointed by the Court in the Proceedings, RSM Richter Inc.;
- (o) **"Mutual Release"** the agreement of release set forth in Schedule "B" to this Agreement;
- (p) **"Person"** shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, a society, a limited liability company, an unincorporated organization and a government or any department or agency thereof;
- (q) **"Proceedings"** shall mean the proceedings initiated by the Medican Group under the *Companies Creditors Arrangement Act*, R.S.C. 1985, c. C-36, in the Court of Queen's Bench of Alberta, action #1001-07852;
- (r) **"Ranch House"** means the real and personal property located on lands legally described as:

MERIDIAN 4 RANGE 3 TOWNSHIP 7
SECTION 21
ALL THAT PORTION OF THE SOUTH EAST QUARTER THAT LIES NORTH
AND WEST OF THE NORTH AND WEST LIMITS OF ROAD PLAN 8110714
CONTAINING 21.4 HECTARES (52.8 ACRES) MORE OR LESS
EXCEPTING THEREOUT:
PLAN NUMBER HECTARES ACRES MORE OR LESS
ROAD 9412124 0.723 1.79
EXCEPTING THEREOUT ALL MINES AND MINERALS

and owned by 1123749 Alberta Ltd., as trustee of Solid Rock Trust;

- (s) **"Ranch House Option"** has the meaning ascribed to such term in paragraph 2.5 of this Agreement;
- (t) **"Ranch House Security/Ranch Lands Option"** has the meaning ascribed to such term in paragraph 2.6 of this Agreement

- (u) **"Ranch House Security"** shall mean that portion of the Security that relates to the indebtedness and security against the Ranch House, including without limitation the mortgage on the Ranch House and the general security agreement granted by 1123749 Alberta Ltd.;
- (v) **"Ranch Lands"** means the real and personal property located on lands legally described as:

PLAN 9512561, BLOCK 1, LOT 1, CONTAINING 31.49 HECTARES (77.81 ACRES) MORE OR LESS, EXCEPTING THEREOUT ALL MINES AND MINERALS

and owned by R7 Investments Ltd. and Medican Construction Ltd.;
- (w) **"Security"** means all of 933's Claims against the Medican Group and the Ranch House, including without limitation, the Ranch House Security; and
- (x) **"Settlement Amount"** means the sum of \$1.040 million.

ARTICLE 2 – SETTLEMENT

- 2.1 Settlement.** Subject to the terms and conditions hereof, as at the Effective Time: (a) 933 will convey and assign the Ranch House Security to 670 (which Security shall not be released in this Agreement or pursuant to the Mutual Release); (b) 933 shall discharge the remaining Security not transferred to 670; (c) 670 will purchase the Ranch Lands from members of the Medican Group; (d) 933 shall release and discharge all Claims it has against the Medican Group, the Monitor, the CRO, and their directors, officers, trustees, beneficiaries, and solicitors; (e) the Medican Group, the Monitor, and the CRO will release and discharge all Claims they have against 933, Live Well Communities Inc., Rockwall Equities Ltd., and Live Well Modular Inc., their directors, officers, trustees, beneficiaries, and solicitors; and (f) 933 will be paid an amount equal to the Settlement Amount, plus any Additional Settlement Amount as required under paragraph 2.8 herein.
- 2.2 Settlement Parties.** All Claims released and discharged pursuant to clauses (c) and (d) of Article 2.1 of this Agreement shall be released pursuant to the provisions of the Mutual Release and 933 agrees to cause all parties referenced in the Mutual Release as "933", to execute, deliver, observe and perform their respective rights and obligations under the Mutual Release, and Medican agrees to cause all parties referenced in the Mutual Release as "Medican" to execute, deliver, observe and perform their respective rights and obligations under the Mutual Release.
- 2.3 Payment of the Settlement Amount.** The Settlement Amount will be paid at Closing from the following sources:
- (a) \$700,000 from the sale and transfer of the Security to 670 as herein contemplated;
 - (b) \$300,000 from the sale of the Ranch Lands to 670; and
 - (c) \$40,000 from the Medican Group.
- 2.4 Ranch House – Security Transfer.** At Closing, upon receipt of the Settlement Amount and the Additional Settlement Amount, 933 shall transfer the Ranch House Security to 670 for the amount of \$700,000 on an "as-is, where-is" basis, subject only to a representation and warranty that the Security has not previously been assigned and shall discharge all Security other than the Ranch House Security. 933 agrees to execute and deliver all such assignment and transfer documents or deeds and discharge documents or deeds as are necessary to transfer the Ranch

House Security, and to discharge its remaining Security. Effective upon Closing, 670 and 933 shall covenant and agree not to pursue any rights and remedies under the Security against the Medican Group, and 670 will, only after the expiry of the Ranch House Option, be at liberty to enforce the security as against the Ranch House, as 670 in its sole discretion, deems appropriate.

- 2.5 **Ranch House Option.** Effective immediately after Closing, 933 shall have the option – exercisable on written notice to the Medican Group and 670, at anytime up to and including September 15, 2011 – to purchase the Ranch House Security from 670 for the amount of \$800,000 (the “**Ranch House Option**”). Upon exercising the Ranch House Option, 933 shall have 7 days to complete the closing of the purchase of the Ranch House Security, failing which the Ranch House Option shall expire. For further clarity, in respect of the closing of the Ranch House Option: (a) 670 shall assign the Ranch House Security on an “as-is, where-is” basis, subject only to a representation and warranty that the Ranch House Security has not been assigned or impaired by 670 since the Closing; and (b) 670 agrees to execute and deliver all such assignment and transfer documents or deeds as are necessary to transfer the Ranch House Security. The Ranch House Option is assignable and transferable by 933; provided that concurrently with any such assignment 933 provide written notice to 670 and the Medican Group of the assignment and all particulars thereof.
- 2.6 **Ranch House Security/Ranch Lands Option.** Effective immediately after Closing, 933 shall, in addition to the Ranch House Option, have the option – exercisable on written notice to 670 and the Medican Group, at anytime up to and including September 15, 2011 – to purchase the Ranch House Security and the Ranch Lands from 670 for the amount of \$1,150,000 (the “**Ranch House Security/Ranch Lands Option**”). Upon exercising the Ranch House Security/Ranch Lands Option, 933 shall have 7 days to complete the closing of the purchase of the Ranch House Security and the Ranch Lands, failing which the Ranch House Security/Ranch Lands Option shall expire. For further clarity, in respect of the closing of the Ranch House Security/Ranch Lands Option: (a) 670 shall assign the Ranch House Security on an “as-is, where-is” basis, subject only to a representation and warranty that the Ranch House Security has not previously been assigned or impaired by 670 since the Closing; (b) 670 shall transfer the Ranch Lands on an “as-is, where-is” basis, subject only to a representation and warranty that Ranch Lands have not previously encumbered by 670 since the Closing; and (c) 670 agrees to execute and deliver all such assignment and transfer documents or deeds as are necessary to transfer the Ranch House Security and the Ranch Lands. The Ranch House Security/ Ranch Lands Option is assignable and transferable by 933; provided that concurrently with any such assignment 933 provides written notice to 670 and the Medican Group of the assignment and all particulars thereof.
- 2.7 **Only One Option.** If either the Ranch House Option or the Ranch House Security/Ranch Lands Option is exercised, the other option shall immediately expire and be of no further force and effect. Any controversy surrounding which option may have been exercised first shall be determined by the Monitor.
- 2.8 **Deferred Closing Date.** In the event that the Closing does not occur by August 15, 2011 for any reason other than the delay of 933, then:
- (a) the Additional Settlement Amount shall then begin to accrue, and shall continue to accrue until such time as the Settlement Amount and Additional Settlement Amount are paid in full; and
 - (b) to the extent that the Ranch Lands have been sold, then payment of the amount of the \$300,000 will be tendered to 933 in consideration of 933’s discharge of the security it has in and to the Ranch Lands; and

- (c) those provisions of the Mutual Release, whereby: (A) those parties defined therein as Medican and the Monitor release those parties defined as 933, and (B) those parties defined therein as 933 release the Monitor, shall immediately be released and become effective, and, when the full Settlement Amount and the Additional Settlement Amount has been paid and Closing occurs, the rest of the Mutual Release shall become effective.

ARTICLE 3 – CONDITIONS PRECEDENT

3.1 Conditions Precedent. The obligation of the parties to close and complete the arrangements contemplated in this Agreement are subject to the following conditions precedent, which are inserted for their joint benefit and may only be waived by them, in whole or in part, in writing delivered to the other party:

- (a) the Monitor has approved this Agreement on or before July 27, 2011;
- (b) an Approval Order is obtained no later than July 28, 2011; and
- (c) the Proceedings remain in full force and effect, including the stay of proceedings in favour of the Medican Group, until the Closing Date.

ARTICLE 4 – NOTICE

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

- (a) Medican Group

1870 A 6th Avenue SW
Medicine Hat, Alberta
T1A 7X5

Attention: Mr. Ty Schneider
Facsimile: 403-526-8704

with a copy to:

Fraser Milner Casgrain LLP
1500, 850 – 2 Street SW
Calgary, Alberta
T2P 0R8

Attention: Mr. David Mann
Facsimile: 403-268-3100

- (b) 933680 Alberta Ltd.

c/o Caron & Partners LLP
2100, 700 – 2nd Street SW
Calgary, Alberta
T2P 2W1

Attention: Arthur Wenngatz
Facsimile: 403-237-0111

(c) 1554670 Alberta Ltd.

c/o Maclean Wiedemann Lawyers LLP
422-6th Street SE
Medicine Hat, Alberta
T1A 1H5

Attention: David Maclean
Facsimile: 403-526-0473

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 days after posting in Canada.

ARTICLE 5 – MISCELLANEOUS

5.1 With respect to this Agreement:

- (a) each of the parties hereto shall at the request and expense of the other party hereto so requesting execute and deliver such further or additional documents and instruments as may reasonably be considered necessary or desirable to properly reflect and carry out the true intent and meaning of this Agreement;
- (b) time shall be of the essence;
- (c) failure by either party hereto to insist in any one or more instances upon the strict performance of any one of the covenants contained herein shall not be construed as a waiver or relinquishment of such covenant - no waiver by any party hereto of any such covenant shall be deemed to have been made unless expressed in writing and signed by the waiving party;
- (d) it may not be amended, modified or terminated except by an instrument in writing signed by the parties hereto;
- (e) it may be executed in counterparts, each of which when so executed shall be deemed to be an original and all counterparts together shall constitute one and the same instrument - a signed counterpart provided by way of facsimile transmission or by e-mail in PDF shall be as binding upon the parties as an originally signed counterpart;
- (f) it contains the entire understanding and agreement between the parties;

(g) It 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 parties hereby attorn to the Court in respect of all matters arising in connection with this Offer.

IN WITNESS WHEREOF the parties hereto have executed this Agreement by the signatures of the respective proper officers duly authorized for such purpose as of the date first above written.

MEDICAN HOLDINGS LTD., MEDICAN DEVELOPMENTS INC., R7 INVESTMENTS LTD., MEDICAN CONSTRUCTION LTD., MEDICAN CONCRETE INC., 1060772 ALBERTA LTD., 1144233 ALBERTA LTD., 1344241 ALBERTA LTD., 9180-3783 QUEREQ INC., ACCESS (GRANDE PRAIRIE) DEVELOPMENTS LTD., ACCESS (SYLVAN LAKE) DEVELOPMENTS LTD., CANVAS (CALGARY) DEVELOPMENTS LTD., ELEMENTS (GRANDE PRAIRIE) DEVELOPMENTS LTD., HOMES BY KINGSLAND LTD., LAKE COUNTRY (STAR) 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.

933680 ALBERTA LTD.

Per: _____

1554670 ALBERTA LTD.

Per: _____

Per: _____
Tyrone Schneider
Chief Restructuring Officer

* * *

The foregoing is hereby approved by the Monitor this _____ day of _____, 2011.

RSM RICHTER INC., in its capacity as Monitor
of the Medican Group in the Proceedings

Per: _____

(g) it 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 parties hereby attorn to the Court in respect of all matters arising in connection with this Offer.

IN WITNESS WHEREOF the parties hereto have executed this Agreement by the signatures of the respective proper officers duly authorized for such purpose as of 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.

933680 ALBERTA LTD.

Per:

1554670 ALBERTA LTD.

Per:

Per:

Tyrone Schneider
Chief Restructuring Officer

* * *

The foregoing is hereby approved by the Monitor this _____ day of _____, 2011.

RSM RICHTER INC., in its capacity as Monitor
of the Medican Group in the Proceedings

Per:

- (g) it 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 parties hereby attorn to the Court in respect of all matters arising in connection with this Offer.

IN WITNESS WHEREOF the parties hereto have executed this Agreement by the signatures of the respective proper officers duly authorized for such purpose as of 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.

933680 ALBERTA LTD.

Per: _____

1554670 ALBERTA LTD.

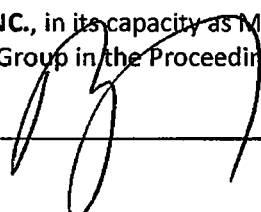
Per: _____

Per: _____
 Tyrone Schneider
 Chief Restructuring Officer

* * *

The foregoing is hereby approved by the Monitor this 27th day of July, 2011.

RSM RICHTER INC., in its capacity as Monitor
 of the Medican Group in the Proceedings

Per: _____


SCHEDULE "A"

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.

SCHEDULE "B"

MUTUAL RELEASE

The Medican corporations set forth in Schedule "A", 1539319 Alberta Ltd., and Tyrone Schneider (collectively, "**Medican**"), 933680 Alberta Ltd., Live Well Communities Inc., Rockwall Equities Ltd., Live Well Modular Inc., and Manfred Marofke (collectively, "**933**"), and RSM Richter Inc. (the "**Monitor**"), in consideration of the covenants and agreements set forth herein and the payment of \$1,040,000 Canadian Dollars in favour of 933 (the receipt and sufficiency of which is hereby acknowledged), by these presents do for themselves and their respective administrators, affiliates, advisors, agents, assigns, employees, heirs, insurers, successors, and trustees hereby forever **REMISE, RELEASE AND DISCHARGE** each other and the other's administrators, affiliates, advisors, agents, assigns, directors, employees, heirs, insurers, officers, successors, solicitors, beneficiaries and trustees of and from any and all actions, causes of action, claims, counterclaims, guarantees, costs, demands, damages, interests, expenses, fees, commissions, taxes, rents, liabilities and compensation of whatsoever kind and howsoever arising, whether known or unknown, direct or indirect, absolute or contingent, or otherwise which each of them ever had, may have, or at any time hereafter can, shall, or may have against the other in connection with all previous acts, or actions, matters and agreements, written, oral or implied, by and between the parties, howsoever arising, including all dealings surrounding the creation, performance, and enforcement of any and all credit facilities extended by 933 to Medican, and including those facilities: (i) in favour of 1123749 Alberta Ltd., and (ii) as partially described in the proof of claim filed by 933 in the restructuring of the Medican corporations set forth in Schedule "A" pursuant to the CCAA and under the supervision of the Court of Queen's Bench of Alberta, action number 1001-07852.

EACH OF MEDICAN, THE MONITOR, AND 933 HEREBY REPRESENT AND WARRANT TO, AND AGREES WITH, THE OTHER THAT:

1. This Mutual Release is accepted without admission of liability on the part of any party in relation to any or all matters set forth in this Mutual Release.
2. The terms of this Mutual Release are fully understood by each of Medican, the Monitor, and 933, each of them having received independent legal counsel in connection with the negotiation, execution, and delivery of this Mutual Release.
3. The consideration exchanged hereunder is accepted voluntarily, uninfluenced by any representations made by the parties to one another except as are expressly contained or accepted herein.
4. The intention of the parties is to create a full and final release of all matters between them in respect of the matters aforesaid.
5. The facts in respect of which this Mutual Release is made may prove to be other than or different from the facts that are now known by any of the parties or believed by any of them to be true; each of the parties expressly accepts and assumes the risk of the facts being different and agrees that all of the terms of this Mutual Release shall be in all respects effective and binding upon themselves and not subject to termination or rescission by any discovery of any difference of facts.
6. Other than the concurrent assignment by 933 to 1554670 Alberta Ltd. ("670") of certain debts, security and related rights of 933 (none of which rights, as held by 670, are released hereby),

neither party has assigned, and will not assign to any other party, any of the claims which are released herein.

7. The Parties agree not to make any claim or institute any proceedings against any person or entity, which is entitled to make a claim over or seek indemnity as against the other party in connection with any matter for which this release is given and, in this regard, 933 represents and warrants that it has not provided any indemnities to any third party in respect of the undertaking, property, and assets of Medican.

AND THE PARTIES FURTHER COVENANT AND AGREE WITH EACH OTHER THAT they will execute, deliver, and do such further acts and things, or cause to be executed, delivered, and done, all such further acts and things as the other, or their respective representatives, may reasonably require (at the cost of the party making such a request) for the purpose of giving full or better effect to this Mutual Release and ensuring that no further liability arises to the other party in respect of the matters herein released.

THIS MUTUAL RELEASE shall be binding upon, and enure to the benefit of, the parties hereto and their respective successors and assigns.

THIS MUTUAL RELEASE may be executed in counterpart and delivered via facsimile such that, when all counterpart signatures are taken together they shall constitute a fully executed and unconditionally delivered mutual release.

IN WITNESS WHEREOF the parties hereto have hereby executed this Mutual Release under seal and effective the 15th day of August, 2011.

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.

933680 ALBERTA LTD.

Per: _____
Manfred Marofke

Witness

ROCKWALL EQUITIES LTD.

Per: _____

Witness

1539319 ALBERTA LTD.

Per: _____

LIVE WELL MODULAR INC.

Per: _____

Per: _____
Tyrone Schneider
Chief Restructuring Officer

Tyrone Schneider

RSM RICHTER INC.

Per: _____
Robert J. Taylor

Manfred Marofke

LIVE WELL COMMUNITIES INC.

Per: _____

SCHEDULE "A"

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.

EXHIBIT "B"



LAND TITLE CERTIFICATE

S
LINC 0026 194 259 SHORT LEGAL 4;3;7;21;SE TITLE NUMBER 051 181 254

LEGAL DESCRIPTION

MERIDIAN 4 RANGE 3 TOWNSHIP 7
SECTION 21
ALL THAT PORTION OF THE SOUTH EAST QUARTER
THAT LIES NORTH AND WEST OF THE NORTH AND
WEST LIMITS OF ROAD PLAN 8110714
CONTAINING 21.4 HECTARES (52.8 ACRES)
MORE OR LESS

EXCEPTING THEREOUT:

Table with 5 columns: PLAN, NUMBER, HECTARES, ACRES, MORE OR LESS. Row 1: ROAD, 9412124, 0.723, 1.79

EXCEPTING THEREOUT ALL MINES AND MINERALS

ESTATE: FEE SIMPLE

MUNICIPALITY: CYPRESS COUNTY

REFERENCE NUMBER: 031 441 223

THIS IS EXHIBIT " B "
referred to in the Affidavit of
Tyrone Schneider
Sworn before me this 27
Day of July, A.D. 2011

Signature of Commissioner for Oaths
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

HELENA van MERKOM
Barrister & Solicitor
Commissioner for Oaths and
Notary Public in and for
the Province of Alberta

Table with 5 columns: REGISTRATION, DATE(DMY), REGISTERED OWNER(S), DOCUMENT TYPE, VALUE, CONSIDERATION. Row 1: 051 181 254, 26/05/2005, TRANSFER OF LAND, \$750,000, SEE INSTRUMENT

OWNERS

1123749 ALBERTA LTD..
OF 1870A 6TH AVE S.W.
CALGARY
ALBERTA T1A 7X5

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

PAGE 2
051 181 254

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
751 110 769	06/10/1975	UTILITY RIGHT OF WAY GRANTEE - FORTY MILE GAS CO-OP LTD..
911 270 165	28/11/1991	CAVEAT RE : EASEMENT CAVEATOR - DONALD J FISHER CAVEATOR - FREDERICK FISHER CAVEATOR - MARK SAKAMOTO CAVEATOR - DANIEL SAKAMOTO CAVEATOR - BARRY GOODINE CAVEATOR - CHARLOTTE FOULSTON ALL OF : C/O DONALD J FISHER 1733 DUNMORE ROAD SE MEDICINE HAT ALBERTA AGENT - DONALD JAMES FISHER
961 295 314	10/12/1996	EASEMENT AS TO PORTION OR PLAN:9611389 OVER LOT 1 IN BLOCK 1 ON PLAN 9612600 FOR BENEFIT OF PORTION OF SE 1/4 21 - 7 - 3 W4M
091 263 853	04/09/2009	MORTGAGE MORTGAGEE - 933680 ALBERTA LTD.. ATTN: JAROLD M SWITZER C/O 2100, 700-2 ST SW CALGARY ALBERTA T2P2W1 ORIGINAL PRINCIPAL AMOUNT: \$4,600,000 (DATA UPDATED BY: TRANSFER OF MORTGAGE 091301670)
091 263 855	04/09/2009	CAVEAT RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - 933680 ALBERTA LTD.. ATTN: JAROLD M SWITZER C/O 2100, 700-2 ST SW CALGARY ALBERTA T2P2W1 AGENT - JAROLD M SWITZER (DATA UPDATED BY: TRANSFER OF CAVEAT 091301671)
101 044 924	12/02/2010	CAVEAT RE : AMENDING AGREEMENT

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

PAGE 3
051 181 254

REGISTRATION
NUMBER DATE (D/M/Y) PARTICULARS

CAVEATOR - 933680 ALBERTA LTD..
ATTN JAROLD M SWITZER
C/O CARON & PARTNERS LLP
2100, 700 - 2ND STREET SW
CALGARY
ALBERTA T2P2W1
AGENT - JAROLD M SWITZER

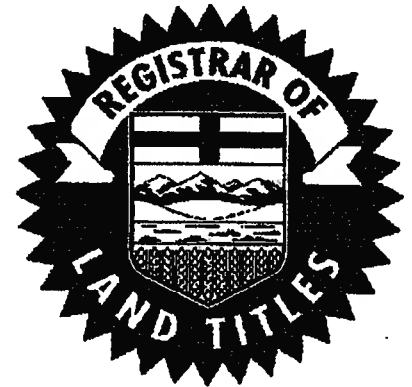
111 145 372 10/06/2011 CAVEAT
RE : AGREEMENT CHARGING LAND
CAVEATOR - MEDICAN CONSTRUCTION LTD.
15 FLOOR, 850-2 ST SW
CALGARY
ALBERTA T2P0R8
AGENT - JOE PFAEFFLIN

TOTAL INSTRUMENTS: 007

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE
REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED
HEREIN THIS 21 DAY OF JULY, 2011 AT 03:39 P.M.

ORDER NUMBER:19382395

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).


EXHIBIT "C"

1554670 ALBERTA LTD.

July 22, 2011

Medican Group of Companies
c/o Fraser Milner Casgrain LLP
15 Flr-850 2 Street SW
Calgary AB T2P 0R8

Attention: Ty Schneider

THIS IS EXHIBIT " C " referred to in the Affidavit of Tyrone Schneider Sworn before me this 21 Day of July, A.D. 2011

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

HELENA van MERKOM
Barrister & Solicitor
Commissioner for Oaths and
Notary Public in and for
the Province of Alberta

Re: Offer for the Purchase and Sale of Certain Lands (as herein described) from R7 Investments Ltd. and Medican Construction Ltd. (the "Vendor")

1. Unless otherwise defined herein, all capitalized words and phrases used in this Offer shall have the meaning ascribed to them in paragraph 13 hereof.
2. Subject to the terms and conditions set forth herein, 1554670 Alberta Ltd., or its nominee (the "Purchaser"), hereby offers to purchase the Lands from the Vendor.
3. The consideration to be paid and provided by the Purchaser to the Vendor shall be as follows:

(a) the sum of \$320,000, plus G.S.T., if applicable (the "Purchase Price").

Within one Business Day of the granting of the Approval Order, the Purchaser will provide a non-refundable deposit in the amount of \$250,000 (the "Deposit") which Deposit will be held in an interest bearing account by solicitors for the Vendor and such Deposit, and any interest on the Deposit, shall be paid:

- (i) to the Vendor, as a genuine pre-estimate of damages, if the Transaction is not completed by any reason other than the failure to satisfy or waive the conditions listed in paragraph 6 hereof, as a genuine pre-estimate of damages;
- (ii) to the Vendor and credited to the Purchase Price on the closing of the Transaction; or
- (iii) to the Purchaser if any of the conditions listed in paragraph 6 hereof are not satisfied or waived by the applicable date.

4. Subject to the terms and conditions of this Offer, at the Closing Time the Purchaser shall deliver the Purchase Consideration to the Vendor and the Vendor shall deliver title to the Lands to the Purchaser free and clear of all right, title, and interest of the Vendor and all Claims by virtue of the Approval Order (subject to the Permitted Encumbrances expressly preserved in this Offer)

5. The Purchaser acknowledges and agrees that the Lands are sold on an "as is - where is" basis and there are no representations, warranties or conditions, whether express or implied (by law or by equity), with respect to the Lands including without limitation any representation, warranty or condition respecting the environmental condition, presence of hazardous substances or any other environmental matter concerning the Lands, the merchantability of the Lands, the condition, quality or fitness for any particular purpose or the Lands, the conformity of

the Lands to any description, or any warranty of title with respect to the Lands. The Purchaser acknowledges that it has conducted its own independent inspection and investigation of the Lands and is satisfied with the Lands in all respects.

6. The obligation of the Vendor and the Purchaser to close and complete the Transaction is subject to the following conditions precedent, which are inserted for their joint benefit and may only be waived by them, in whole or in part, in writing delivered to the other party:
 - (a) the Monitor has approved this Agreement within five Business Days following the date this Offer is accepted by the Vendor;
 - (b) the Court has granted the Approval Order on or before July 28, 2011;
 - (c) the sale and transfer of the mortgage registered against the Ranch House, and all other related security held by 933 in relation to the Ranch House, to 1554670 Alberta Ltd., or its nominee, has closed prior to, or concurrently with, the Transaction;
 - (d) the settlement agreement among the Medican Group and 933 has: (i) been executed by the parties thereto and approved by the Court no later than July 28, 2011; and (ii) closed prior to, or concurrently with, the Transaction; and
 - (e) the Proceedings remaining in full force and effect, including the stay of proceedings in favour of the Vendors and the balance of the Applicants in the Proceedings, to at least the Closing Time.
7. The closing of the Transaction shall occur at the offices of the solicitors for the Vendor at the Closing Time and each party shall deliver to the other party such items and documents referred to in this Offer and as may otherwise be required to give full or better effect to the Transaction.
8. Both the Vendor and the Purchaser acknowledge and agree that any information which is furnished by one party to the other in connection with the Transaction shall be considered as confidential and shall not be communicated to any Person except as is required to be disclosed (i) to directors, officers, representatives, consultants, financial advisors and other parties who need to know and who are assisting either party in respect of the Transaction and who have agreed to keep same confidential, and (ii) as is required to be disclosed by applicable law or regulation, which shall include obtaining the Approval Order. Information disclosed by either party hereunder shall not be considered to be confidential if it was at the time of the disclosure generally available to the public (other than as a result of disclosure by a party hereto), was at the time of the disclosure already in the possession of the other party on a lawful basis or was lawfully acquired by a party from a third party under no obligation to keep it secret.
9. Subject to the preceding paragraph, during the period prior to Closing Time the Vendor shall provide the Purchaser with access to all books, records and files of Vendor relating to the Lands in order for the Purchaser and its representatives to review all matters which the Purchaser may consider relevant in relation to the Transaction.
10. The Vendor and the Purchaser will each be solely responsible for and bear all of their own respective expenses, including without limitation, expenses of legal counsel, accountants, and other advisers, incurred at any time in connection with pursuing or consummating any business arrangement contemplated herein.

11. The address for notice of the Purchaser is as follows:

1554670 Alberta Ltd.

Attention: _____

The address for notice of the Vendor is as follows:

R7 Investments Ltd. and Medican Construction Ltd.
1870A 6 Avenue SW
Medicine Hat AB T1A 7X5
Telephone: (403) 548-0896
Attention: Mr. Tyrone Schneider

with a copy to:

Fraser Milner Casgrain LLP
15 Fir-850 2 Street SW
Calgary AB T2P 0R8
Telephone: (403) 268-7097
Attention: Mr. David Mann

12. With respect to this Offer:

- (a) each of the parties hereto shall at the request and expense of the other party hereto so requesting execute and deliver such further or additional documents and instruments as may reasonably be considered necessary or desirable to properly reflect and carry out the true intent and meaning of this Agreement;
- (b) time shall be of the essence;
- (c) failure by either party hereto to insist in any one or more instances upon the strict performance of any one of the covenants contained herein shall not be construed as a waiver or relinquishment of such covenant - no waiver by any party hereto of any such covenant shall be deemed to have been made unless expressed in writing and signed by the waiving party;
- (d) it may not be amended, modified or terminated except by an instrument in writing signed by the parties hereto;
- (e) it may be executed in counterparts, each of which when so executed shall be deemed to be an original and all counterparts together shall constitute one and the same instrument - a signed counterpart provided by way of facsimile transmission or by e-mail in PDF shall be as binding upon the parties as an originally signed counterpart;

- (f) It contains the entire understanding and agreement between the parties;
 - (g) It 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 parties hereby attorn to the Court in respect of all matters arising in connection with this Offer.
13. In this Offer, and any schedules and recitals hereto, unless otherwise stated or unless the context otherwise requires, the following terms shall have the following meaning ascribed to them:
- (a) "933" means 933680 Alberta Ltd.;
 - (b) "Applicable Law" shall mean, in relation to any Person, transaction or event:
 - (i) all applicable provisions of laws, statutes, rules and regulations from time to time in effect of any governmental/judicial body (including, in particular, legislation related to the discovery, extraction, processing and marketing of hydrocarbons and related by-products), and
 - (ii) all judgments, orders, awards, decrees, official directives, writs and injunctions from time to time in effect of any Governmental/Judicial Body in an action, proceeding or matter in which the Person is a party or by which it or its property is bound or having application to the transaction or event;
 - (c) "Approval Order" means an order of the Court:
 - (i) approving this Agreement, and
 - (ii) conveying title to the Lands free of all Claims (other than as expressly referenced herein);which order (A) is in form and substance acceptable to the parties, acting reasonably, and (B) shall be in full force and effect, free of any stay or other impediment to execution, is not subject to any application to vary or set aside or to any appeal;
 - (d) "Business Day" means a day that is not: (i) a Saturday, (ii) a Sunday, or (iii) a day that a Schedule "I" Bank (as defined in the *Bank Act* (Canada)) is required by Applicable Law to be closed in the City of Calgary;
 - (e) "Canadian Dollars" or "Cdn. \$" or "\$" shall mean lawful money of Canada;
 - (f) "Claims" shall mean any and all secured, unsecured or trust claim against the Vendor and/or the Lands of every nature and kind and howsoever arising, including, without limitation, debts, dues, rights, actions, causes of action, third party claims, rights by way of indemnity, surety or set-off and securities, whether legal, beneficial, equitable, absolute or contingent, liquidated or unliquidated, vested or not vested, due or accruing due, present or future, known or unknown;

- (g) "Closing Time" shall mean 10:00 a.m. on (Calgary time) August 15, 2011, or such later date as the Vendor and the Purchaser may agree in writing;
- (h) "Court" shall mean the Court of Queen's Bench of Alberta presiding in the Proceedings;
- (i) "Effective Time" shall mean the Closing Time;
- (j) "lands" means the lands legally described as:

PLAN 9512561
BLOCK 1
LOT 1
CONTAINING 31.49 HECTARES (77.81 ACRES) MORE OR LESS
EXCEPTING THEREOUT ALL MINES AND MINERALS;

- (k) "Medican Group" means the companies outlined in Schedule "A";
- (l) "Monitor" means the monitor appointed by the Court in the Proceedings, RSM Richter Inc.;
- (m) "Offer" means this Offer and, when accepted, the agreement thereby made;
- (n) "Permitted Encumbrances" means those encumbrances set forth in Schedule "B" to this Offer;
- (o) "Person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, a limited liability company, an unincorporated organization and an government or any department or agency thereof;
- (p) "Proceedings" shall mean the proceedings initiated by the Vendor under the *Companies Creditors Arrangement Act*, R.S.C. 1985, c. C-36, in the Court of Queen's Bench of Alberta, Action No. 1001-07852;
- (q) "Purchase Consideration" means the cash and other value delivered by the Purchaser to the Vendor at the Closing Time, all as further described in paragraph 3 hereof;
- (r) "Ranch House" means the real and personal property located on lands legally described as:

MERIDIAN 4 RANGE 3 TOWNSHIP 7
SECTION 21
ALL THAT PORTION OF THE SOUTH EAST QUARTER THAT LIES NORTH
AND WEST OF THE NORTH AND WEST LIMITS OF ROAD PLAN 8110714
CONTAINING 21.4 HECTARES (52.8 ACRES) MORE OR LESS
EXCEPTING THEREOUT:

PLAN	NUMBER	HECTARES	ACRES	MORE OR LESS
ROAD	9412124	0.723	1.79	

EXCEPTING THEREOUT ALL MINES AND MINERALS

and owned by 1123749 Alberta Ltd., as trustee of Solid Rock Trust;

- (s) "Transaction" means the transaction of purchase and sale contemplated by this Offer; and
- (t) "Vendor" shall have the meaning ascribed to such term in the recital to this Offer.

- 14. This Offer is open for acceptance until 11:00 o'clock p.m., Calgary time, on the 24th day of July, 2011. Acceptance of this offer will be signified by each and every party comprising the Vendor executing and delivering a signed copy of this letter to the Purchaser on or before such time.
- 15. This Agreement may be executed in one or more counterparts, each of which when so executed shall constitute an original and, when taken together, shall constitute the entire agreement. The parties covenant and agree that the execution of this Agreement may be delivered by facsimile or e-mail transmission and any facsimile or e-mail transmission of a signature shall be binding and valid as if the signature were an original.

Yours truly

1554670 ALBERTA LTD.

Per: 

ACCEPTED AND AGREED TO this 24 day of July, 2011

R7 INVESTMENTS LTD.

Per: 

Tyrone Schneider

MEDICAN CONSTRUCTION LTD.

Per: 

Tyrone Schneider

SCHEDULE "A"

MEDICAN GROUP

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.
AXXESS (GRANDE PRAIRIE) DEVELOPMENTS LTD.
AXXESS (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.
WATERCREST (SYLVAN LAKE) DEVELOPMENTS LTD.

SCHEDULE "B"
PERMITTED ENCUMBRANCES

Registration No.

Registration

001 175 430

Utility Right of Way

051 299 326

Utility Right of Way

EXHIBIT "D"



LAND TITLE CERTIFICATE

S
 LINC SHORT LEGAL TITLE NUMBER
 0028 742 567 9512561;1;1 031 439 503

LEGAL DESCRIPTION

PLAN 9512561
 BLOCK 1
 LOT 1
 CONTAINING 31.49 HECTARES (77.81 ACRES) MORE OR LESS
 EXCEPTING THEREOUT ALL MINES AND MINERALS

ATS REFERENCE: 4;3;7;33;SE
 ESTATE: FEE SIMPLE

MUNICIPALITY: CYPRESS COUNTY

REFERENCE NUMBER: 031 322 479

THIS IS EXHIBIT " D "
 referred to in the Affidavit of
Tyrone Schneider
 Sworn before me this 27
 Day of July A.D. 2011
[Signature]
 A COMMISSIONER FOR OATHS
 IN AND FOR THE PROVINCE OF ALBERTA

HELENA van MERKOM
Barrister & Solicitor
 Commissioner for Oaths and
 Notary Public in and for
 the Province of Alberta

REGISTRATION	DATE (DMY)	REGISTERED OWNER(S) DOCUMENT TYPE	VALUE	CONSIDERATION
031 439 503	18/12/2003	TRANSFER OF LAND	\$93,372	NOMINAL

OWNERS

R7 INVESTMENTS LTD..
 OF 1870A-6 AVE SW
 MEDICINE HAT
 ALBERTA T1A 7X5
 AS TO AN UNDIVIDED 1/2 INTEREST

MEDICAN CONSTRUCTION LTD.
 OF 1870A - 6 AVENUE S.W. MEDICINE HAT
 ALBERTA T1A 7X5
 AS TO AN UNDIVIDED 1/2 INTEREST

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

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031 439 503

REGISTRATION

NUMBER	DATE (D/M/Y)	PARTICULARS
001 175 430	27/06/2000	UTILITY RIGHT OF WAY GRANTEE - FORTY MILE GAS CO-OP LTD.. "SEE INSTRUMENT FOR INTEREST"
051 299 326	18/08/2005	UTILITY RIGHT OF WAY GRANTEE - FORTY MILE GAS CO-OP LTD.. SEE INSTRUMENT FOR INTEREST
091 263 853	04/09/2009	MORTGAGE MORTGAGEE - 933680 ALBERTA LTD.. ATTN: JAROLD M SWITZER C/O 2100, 700-2 ST SW CALGARY ALBERTA T2P2W1 ORIGINAL PRINCIPAL AMOUNT: \$4,600,000 (DATA UPDATED BY: TRANSFER OF MORTGAGE 091301670)
091 271 280	11/09/2009	CAVEAT RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - 933680 ALBERTA LTD.. ATTN: JAROLD M SWITZER C/O 2100, 700-2 ST SW CALGARY ALBERTA T2P2W1 AGENT - JAROLD M SWITZER (DATA UPDATED BY: TRANSFER OF CAVEAT 091301671)
091 298 995	05/10/2009	WRIT CREDITOR - DONNA KOEV 72 MILLCREST WAY SW CALGARY ALBERTA T2Y2J3 DEBTOR - MEDICAN CONSTRUCTION LTD. 1870A - 6 STREET SW MEDICINE HAT ALBERTA T1A7X5 AMOUNT: \$19,654 AND COSTS IF ANY ACTION NUMBER: 0901-14378
101 044 924	12/02/2010	CAVEAT RE : AMENDING AGREEMENT CAVEATOR - 933680 ALBERTA LTD.. ATTN JAROLD M SWITZER C/O CARON & PARTNERS LLP

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

PAGE 3

REGISTRATION

031 439 503

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
		2100, 700 - 2ND STREET SW CALGARY ALBERTA T2P2W1 AGENT - JAROLD M SWITZER
101 051 827	22/02/2010	WRIT CREDITOR - ULTRA-LITE DOORS. CREDITOR - ULTRA-LITE OVERHEAD DOORS LTD.. BOTH OF: 7303 - 40 STREET SE CALGARY ALBERTA T2C2K4 DEBTOR - MEDICAN CONSTRUCTION LTD. 1870 - 6TH AVE SW MEDICINE HAT ALBERTA T1A7X5 AMOUNT: \$15,899 AND COSTS IF ANY ACTION NUMBER: 1001-02688
101 091 520	30/03/2010	WRIT CREDITOR - DOKA CANADA LTD. 5404-36 STREET SE CALGARY ALBERTA T1A0A7 DEBTOR - MEDICAN CONSTRUCTION LTD. 499 1 ST MEDICINE HAT ALBERTA T1A0A7 AMOUNT: \$19,794 AND COSTS IF ANY ACTION NUMBER: 090119001
101 166 139	04/06/2010	WRIT CREDITOR - SAS-CAN MASONRY LTD.. C/O TERRY KLEPAK 68 LOTT CREEK LANDING CALGARY ALBERTA T3Z3V4 DEBTOR - MEDICAN CONSTRUCTION LTD. 499-1ST STREET SE MEDICINE HAT ALBERTA T1A0A7 AMOUNT: \$82,682 AND COSTS IF ANY ACTION NUMBER: 1001-05482
111 093 874	18/04/2011	TAX NOTIFICATION BY - CYPRESS COUNTY. 816 2ND AVE

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
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031 439 503

DUNMORE, ALBERTA
T1B1K0

TOTAL INSTRUMENTS: 010

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE
REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED
HEREIN THIS 21 DAY OF JULY, 2011 AT 03:39 P.M.

ORDER NUMBER: 19382395

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).