

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

Clerk's Stamp

APPLICANTS **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 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")**

DOCUMENT **NINTH REPORT TO THE COURT OF RSM RICHTER INC. AS CCAA MONITOR OF THE MEDICAN GROUP OF COMPANIES DATED MARCH 25, 2011**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

  
3700 Canterra Tower  
400 Third Avenue SW  
Calgary, Alberta T2P 4H2  
Phone: 403-267-8222  
Fax: 403-264-5973  
Attention: Howard A. Gorman  
File No. 267783

## TABLE OF CONTENTS

INTRODUCTION.....	1
Purpose of this Report	1
Terms of Reference	2
Currency	3
BACKGROUND .....	3
COMPANY'S ACTIVITIES.....	3
MEDICAN MODULAR (CHARTWELL MEDICINE HAT) DEVELOPMENTS LTD.....	4
SANDERSON OF FISH CREEK (CALGARY) DEVELOPMENTS LTD.....	10
Phase 4A	10
Phase 3, 4B and Church Lands	11
Phase 1 and 2	11
Mrs. Sanderson's Unit	14
Receivership	15
Phase 1 and 2 Unit Sales Process	16
2217 10 <sup>TH</sup> AVENUE S. W. MEDICINE HAT .....	17
THE ESTATES OF VALLEYDALE DEVELOPMENTS LTD.....	18
RIVER RIDGE LANDS .....	19
1144233 ALBERTA LTD. ....	20
PLAN OF ARRANGEMENT .....	20
CLAIMS REVIEW.....	21
CASH FLOW .....	22
DEBTOR-IN-POSSESSION FINANCING .....	22
MONITOR'S ACTIVITIES .....	23
CONCLUSION AND RECOMMENDATION .....	24

**INDEX OF APPENDICES**

Unit Sales Summary ..... “A”

Calculation of 933680 Alberta Ltd.’s Loan Balance. .... “B”

Cash Flow Variance Analysis..... “C”

Projected Statement of Cash Flow ..... “D”

Priority Charge Funds Held by Fraser Milner Casgrain LLP ..... “E”

**NINTH REPORT OF RSM RICHTER INC.  
AS CCAA MONITOR OF  
THE MEDICAN GROUP OF COMPANIES**

**March 25, 2011**

## **INTRODUCTION**

1. On May 26, 2010, the Court of Queen's Bench of Alberta ("Court") issued an order ("Initial Order") granting The Medican Group of Companies ("Medican Group" or the "Company") protection pursuant to the *Companies' Creditors Arrangement Act* ("CCAA") (the "CCAA Proceedings"). RSM Richter Inc. was appointed monitor ("Monitor") under the Initial Order.
2. Pursuant to a Court order made on December 2, 2010, the stay of proceedings under the Initial Order was extended to March 31, 2011.
3. The primary purposes of the CCAA Proceedings are to protect Medican Group's business and operations, to allow Medican Group an opportunity to realize value from its construction and development projects and to facilitate a restructuring of its business, all under a Court-supervised process.

### **Purpose of this Report**

4. The purpose of this report ("Report") is to:
  - a) Provide an update on the Company's restructuring efforts;
  - b) Summarize the terms and conditions of an Agreement of Purchase and Sale (the "Stalking Horse Offer") from Spider Electric Ltd. ("Spider") for the Company's head office (the "Head Office") located at 2217 10 Avenue S.W. Medicine Hat, Alberta; and

- c) Respectfully recommend that this Honourable Court grant orders:
- Extending the CCAA stay of proceedings from March 31, 2011 to May 31, 2011;
  - Approving the Stalking Horse Offer from Spider and continuing to market the Head Office through April 30, 2011 through a sales process as described in this Report;
  - Approving an Offer (the “Classic Offer”) to Purchase from Classic Construction Ltd. (“Classic”) for The Estates of Valleydale Developments Ltd. (the “Valleydale Lots”) and vesting in Classic, as of closing, title to the Valleydale Lots, free and clear of all liens, charges, security interests and other encumbrances other than those as set out in the purchase and sale agreement, and directing the Registrar of Alberta Land Titles to register title to the Valleydale Lots in the name of Classic or in that of its nominee, as described in this Report;
  - Approving an Offer to Purchase from 1129971 Alberta Ltd. (“112”), for the Company’s property legally described as Plan No. 0312290, Lots 68, 69, 70, 71, 72, and 73, (the “River Ridge Lands”) and vesting in 112, as of closing, title to the River Ridge Lands, free and clear of all liens, charges, security interests and other encumbrances other than those as set out in the purchase and sale agreement, and directing the Registrar of Alberta Land Titles to register title to the River Ridge Lands in the name of 112 or in that of its nominee, as described in this Report;
  - Approving offers to purchase Phase 1 and 2 Units B104, B202, B206, B301, B302, B303, B306, C101, F134 and F309, and the conveyance of B310 to Mrs. Sanderson, owned by Sanderson of Fish Creek (Calgary) Developments Ltd., (the “Sanderson Project”) and a sales process for the remaining Phase 1 and 2 Units of the Sanderson Project as described in this Report; and
  - Requiring 933680 Alberta Ltd. (“933”), Live Well Communities Inc. (“Live Well”), Mr. Manfred Marofke, and Ms. Linda Straub to provide the Monitor with access to all files and records in respect of their business relationships with Medican on or before April 7, 2011.

### Terms of Reference

5. In developing this Report, the Monitor has relied upon unaudited financial information prepared by the Company’s management, the Company’s books and records and discussions with its management. The Monitor has not performed an audit or other verification of such information. An examination of the Company’s financial forecasts as outlined in the *Canadian Institute of Chartered Accountants Handbook* has not been

performed. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events. Actual results achieved may vary from this information and these variations may be material, and as such the Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Monitor in preparing this Report.

### **Currency**

6. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

### **BACKGROUND**

7. Medican Group is a private group of companies in the real estate construction and development business. The Company currently owns, operates and/or manages several projects in British Columbia, Alberta, and Quebec.
8. Additional background information is included in previous materials filed with the Court in these CCAA Proceedings, including the previous reports filed by the Monitor. Materials filed with the Court can be found on the Monitor's website at [www.rsmrichter.com](http://www.rsmrichter.com).

### **COMPANY'S ACTIVITIES**

9. A summary of the Company's progress since the Monitor's Eighth Report to Court dated January 28, 2011 ("Eighth Report") is provided below. Among other things, the Company:
  - a) Accepted offers, with the Monitor's approval, on 27 existing or under-construction residential condominium units ("Units"). A schedule identifying Unit sales from the date of the Initial Order is provided as Appendix "A" to this Report. In total, the Company has accepted 154 offers for sales of Units from the date of the Initial Order;

- b) Negotiated sales of 10 Units in the Sanderson Project, now subject to a request for Court approval;
  - c) Received, negotiated and finalized an offer to purchase the River Ridge Lands with 112;
  - d) Received, negotiated and finalized a Stalking Horse Offer for the Head Office located at 2217 10 Avenue S.W. Medicine Hat;
  - e) Received, negotiated and finalized the Classic Offer to purchase the Valleydale Lots;
  - f) Increased pricing of certain Units in Alberta in response to some recovery of condominium prices in the Calgary, Alberta market;
  - g) Participated in the investigation of the transaction between 933 and Live Well in respect of the “Chartwell Lands”;
  - h) Continued to meet with third parties respecting the development or sale of the Company’s interests in certain Development Projects; and
  - i) Continued to provide stakeholders with updates on its restructuring efforts.
10. Certain of the above activities are discussed in greater detail in the balance of this Report.

### **MEDICAN MODULAR (CHARTWELL MEDICINE HAT) DEVELOPMENTS LTD.**

11. Since July 2010, the Monitor and its counsel have been investigating the circumstances surrounding the purchase and sale of a prefabricated home Development Project located in Medicine Hat, Alberta, commonly know as “Chartwell” (the “Chartwell Project”).
12. The Monitor has reported to the Court as the investigation has progressed. What follows is an overview of the background of the purchase and sale of the Chartwell Project and the current status of the Monitor's investigation and recommendation.
13. In summary, the Monitor continues to have serious concerns about the propriety of the Chartwell Transaction (defined below), and its efforts to complete its investigation have

been delayed. The Monitor recommends that it be directed to continue the investigation, and that certain third parties be directed to fully cooperate in that regard.

14. On June 22, 2006, the Company entered into an Option to Purchase agreement (“Option”) with Chartwell Landing Inc. (“CLI”) in respect of the lands comprising the Chartwell Project (the “Chartwell Lands”).
15. Pursuant to the Option, the Company was to construct all deep utilities including water, sanitary and storm sewers and electricity, plus roads, curbs, gutters and sidewalks (the “Services”). The Company incurred costs of approximately \$1.5 million to install the Services.
16. The Option also provided that the Company could purchase the Chartwell Lands from CLI for \$1.5 million, plus interest. On July 18, 2008, title to the Chartwell Lands was transferred to Medican Modular (Chartwell Medicine Hat) Developments Ltd. for \$1.73 million.
17. Subsequent to acquiring the Chartwell Lands, the Company installed five prefabricated homes on the Chartwell Lands at a total cost of approximately \$1.06 million.
18. In total, the Company invested approximately \$4.3 million into the Chartwell Project, including, *inter alia*, the price of the Chartwell Lands, installation of the Services and installation of the prefabricated homes.
19. 933 provided five separate credit facilities to the Medican Group since April 24, 2007 (collectively, the “Credit Facilities”). The fourth credit facility was a \$1.5 million stand-alone mortgage executed on May 21, 2008. On June 7, 2008 this credit facility was increased to \$1.75 million and was used by the Company to purchase the Chartwell Lands.



20. When the Credit Facilities were provided to the Company, Manfred Marofke, agent (and, very recently, a director) of 933, was employed by the Canadian Imperial Bank of Commerce (“CIBC”).<sup>1</sup> The Monitor is advised by representatives of the Company that Mr. Marofke was primarily responsible for providing the Company with a number of CIBC loans, including loans that continue to encumber certain Company Projects.
21. Effective May 1, 2009 the Chartwell Project was sold to Live Well for \$2.15 million (the “Chartwell Transaction”). Live Well is a wholly-owned subsidiary of 933. The Monitor understands that no formal appraisal was obtained by either the Company or 933 nor was the Chartwell Project publicly marketed for sale, in connection with the Chartwell Transaction.
22. Pursuant to the Chartwell Transaction, as consideration of the purchase price for the Chartwell Project, Live Well agreed to assume a total of \$2.15 million of debt owing to 933. The Chartwell Transaction did not close until October 31, 2009; with closing adjustments made as of August 15, 2009.
23. In addition to the purchase price of \$2.15 million, the sum of \$50,000 was paid to Wes Reinheller by either 933, Live Well, Mr. Marofke or Linda Straub. The Monitor has been unable to determine who paid Mr. Reinheller the \$50,000. Mr. Marofke has testified that the \$50,000 was to be donated to charity; however, the evidence indicates that the cheque was made payable to Mr. Reinheller personally, and that the funds may have never made their way to any charity.

---

<sup>1</sup> On January 26, 2011 Mr. Marofke was appointed a director of both 933 and Live Well. Until January 26, 2011 Mr. Marofke was an agent for 933 and Live Well. Though requested, the Monitor has not been provided with a copy of any agency agreement appointing Mr. Marofke as agent for 933 or Live Well.

24. On July 29, 2010, this Honourable Court granted an Examination Order (the "Examination Order"). Paragraphs 3 and 4 of the Examination Order provide as follows:

"3. The Monitor may, in its discretion and without further order of this Court, examine under oath any person or representative of a legal entity (an "Examinee") reasonably thought by the Monitor to potentially have knowledge of the Property or Business of any of the Petitioners, including any past dealings therewith, including any Examinee who has been an agent, employee, officer or director of any of the Petitioners or who has been party to any business relationships with any of the Petitioners. In so doing, the Monitor may require any Examinee to produce any potentially relevant records, books, documents, correspondence, papers or electronic records (collectively, the "Records") in the Examinee's possession or power, however that nothing in this paragraph 3 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Monitor due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.

4. The Monitor may compel the attendance of the Examinee by service of an appointment without conduct money. Any Examinee served with an appointment shall attend as specified in the appointment, and shall cooperate fully with the Monitor. If any Examinee fails to do so, the Monitor may apply to this Court for an Order finding the Examinee in contempt or for other relief." [Emphasis added.]

25. On December 23, 2010, this Honourable Court granted an order (the "December 2010 Order") that, inter alia:

- The Monitor is authorized to continue its investigation of the sale of the Chartwell Lands (the "Investigation").
- Manfred Marofke shall produce himself to be examined in connection with the Investigation.
- The Monitor shall file with the Court its report in respect of the Investigation on or before March 31, 2011.
- As part of its ongoing investigation into the Chartwell Transaction, and pursuant to the Order, the Monitor examined Manfred Marofke on December 9, 2010.

26. On January 28, 2011, pursuant to the Examination Order and the December 2010 Order, the Monitor examined Mr. Marofke.

27. As part of its ongoing investigation into the Chartwell Transaction, the Monitor requested in accordance with the Examination Order that 933 and Live Well provide to the Monitor access to all files and records in respect to their respective business relationships with Medican. 933 and Live Well have refused and continue to refuse to provide the Monitor with access to such documentation, notwithstanding the Examination Order.
28. The Monitor believes that these files and records may be materially relevant to its investigation.
29. As directed by the Court, the Monitor used its best efforts to have a final report in respect of the Chartwell Transaction by March 31, 2011. However, the continued refusal of 933 and Live Well to provide access to all potentially relevant documentation has prevented that.
30. As part of its ongoing investigation into the Chartwell Transaction, the Monitor engaged Cushman & Wakefield Ltd. to prepare a Full Narrative Appraisal Report of the Chartwell Project, estimating the retrospective market value of the Chartwell Project as at May 1, 2009 (the "Appraisal"). The Appraisal also estimated a force sale value as at May 1, 2009. The Appraisal was prepared in accordance with the Canadian Uniform Standards of Professional Appraisal Practice as adopted by the Appraisal Institute of Canada.
31. The estimated retrospective market value of the Chartwell Project is \$3.5 million, as at May 1, 2009. The Monitor recently provided a copy of the Appraisal to 933 and Live Well.
32. The Appraisal indicates that Live Well was able to acquire the Chartwell Project for consideration that was \$1.35 million below fair market value. This is troubling, given the

relationship between Mr. Marofke and Medican, and the unusual circumstances regarding the sale (including the \$50,000 payment to Mr. Reinheller).

33. The Monitor has prepared a calculation which compares the amount owed to 933 pursuant to the 933 proof of claim to amounts owed to 933 had the consideration paid for the Chartwell Project been at the \$3.5 million appraised market value. The Monitor's calculation is attached as Appendix "B". Based on the \$3.5 million appraised value, the Company does not appear to be indebted to 933.
34. For the time-being, the Monitor considers it prudent to preserve any claim it may have against 933, Live Well, Mr. Marofke and others for the shortfall in the consideration owing in respect of the Chartwell Transaction. As such, based on the market value of the Chartwell Project as at May 1, 2009, the Monitor proposes to deduct the shortfall from the proof of claim submitted by 933 until the matter is resolved.
35. The following are outstanding issues the Monitor believes must be resolved prior to concluding its investigation into the Chartwell Transaction:
  - a) the ongoing refusal of 933, Live Well, Mr. Marofke and others to make relevant records available;
  - b) the undocumented gratuitous payment of \$50,000 to Mr. Reinheller as part of the Chartwell Transaction;
  - c) the true and total consideration for the Chartwell Transaction;
  - d) the total reduction of debt owing to 933 and/or Live Well by the Company;
  - e) free labour and construction materials provided to Mr. Marofke during the construction of his home in Bragg Creek, Alberta; and
  - f) the circumstances surrounding the \$1 million advance of funds from 933 to 1123749 Alberta Ltd. in August 2009 and how this transaction may have been influenced or affected by the Chartwell Transaction.

36. As a result of the foregoing, the Monitor respectfully requests that this Honourable Court order 933, Live Well, Mr. Marofke and Ms. Straub to provide the Monitor with access to all files and records in respect to their business relationships (including, without limitation, financial statements) with the Company on or before April 7, 2011.

### **SANDERSON OF FISH CREEK (CALGARY) DEVELOPMENTS LTD.**

37. The project known as “Sanderson of Fish Creek” is a residential Development Project located in Calgary, Alberta, which consists of five phases with a total of 352 Units (“Sanderson Project”). The Sanderson Project was established in multiple phases referred to as Phases 1, 2, 3, 4A and 4B. The Sanderson Project also included certain adjacent lands (“Church Lands”).
38. More than four different lenders hold various forms of security against the Sanderson Project and unsold Units, along with amounts owed to Canada Revenue Agency, unsecured lenders and trade suppliers (some of which have registered liens).

#### **Phase 4A**

39. CIBC advanced \$1 million to the Company to complete construction of Phase 4A of the Sanderson Project pursuant to a Court Order obtained by the Company on July 29, 2010. The funds were deposited with Fraser Milner Casgrain LLP (“FMC”), the Company’s legal counsel.
40. Construction of Phase 4A is complete. Construction costs were on budget. Seven Units have sold and closed. Five Units have been sold and will close over the next few months. Seven Units are listed for sale. The Company and CIBC continue to work together under protocols established earlier in these CCAA Proceedings.

**Phase 3, 4B and Church Lands**

41. The Company completed the Court-approved transaction with Monarch Land Ltd. (“Monarch”) in respect of Phase 3 and 4B of the Sanderson Project and the Church Lands. Monarch and the Company are working together to address certain deficiencies at the Sanderson Project and condominium fee arrears. The condominium fee arrears for Phase 1, 2 and 4A have been paid up to January 31, 2011.

**Phase 1 and 2**

42. Harbour Mortgage Corp. (“Harbour”) holds a first charge on all but five of the remaining Units in Phase 1 and 2<sup>2</sup>. IMOR Capital Corp. (“IMOR”) has a second charge on all the remaining Units.
43. On July 19, 2010, the Company, Harbour and IMOR executed a Memorandum of Understanding (“MOU”) in respect of Unit sales in Phase 1 and 2 of the Sanderson Project. The MOU, *inter alia*, included language in respect of the pricing of such Units which provided that “the [Sanderson of Fish Creek (Calgary) Developments Ltd.], with the consent of the Monitor, shall be entitled to enter into arms length contracts for the sale of the Phase 1 and 2 Units at a price that is greater than or within 10% of the Listing Price”. The MOU also states that the parties to the MOU shall consult in respect of developing a sales and marketing process including marketing the remaining Phase 1 and 2 Units at a discounted price.
44. The Company sold one Unit on June 14, 2010. As a result of few Unit sales, the Company terminated its onsite sales team in August and engaged Re/Max First to take over sales at the Sanderson Project. Several of the Units were MLS listed by Re/Max. The Company in consultation with Re/Max reviewed market conditions in Calgary and concluded that

---

<sup>2</sup> CIBC holds a first charge on five Units in Phase 1 and 2 of the Sanderson Project.

- the then Unit listing prices were above market prices.
45. An updated Unit pricing structure was implemented in September along with marketing initiatives to attempt to increase Phase 1 and 2 Unit sales. The price per Unit was lowered from an average of \$375 per square foot to an average of \$315 per square foot. It was the Company's view that this average price was above market rates but was a significant reduction from previous prices. On October 12, 2010 the Monitor provided to IMOR and Harbour the updated Unit pricing structure along with information in respect of marketing costs, costs to complete construction of the Phase 1 and 2 Units, listing of trades retained to complete the construction, sales closed since the Initial Order (pre CCAA sales) and a summary of comparable Unit sales.
  46. There were no Phase 1 and 2 Unit sales in September and October 2010. The Monitor was advised by the Company that on November 4, 2010, Mr. Tyrone Schneider, Chief Restructuring Officer of the Company met with representatives of IMOR in Vancouver. The Monitor was advised by the Company that IMOR requested that the Company take additional steps to sell the Phase 1 and 2 Units inasmuch as only one Unit had sold in the past five and one-half months. The Company was of the view that lower Unit prices were required to sell the Phase 1 and 2 Units. The Company lowered the Unit price to an average of \$270 per square foot. On November 23, 2010, the schedule of listing prices was provided to IMOR (the "Revised Listing Prices"). A copy of the email sent by the Company and the schedules attached thereto including the Revised Listing Prices is attached to the "Sanderson" affidavit of Tyrone Schneider sworn March 25, 2011.
  47. The Revised Listing Prices set the average Phase 1 and 2 per Unit price at \$270 per square foot which decreased the listing price established in the MOU by more than 10%. IMOR did not communicate with the Company or the Monitor after receiving the

Revised Listing Prices. It was the Company's view that IMOR was in agreement with the Revised Listing Prices and the Company commenced marketing the Phase 1 and 2 Units at the lower prices. The Monitor was advised by the Company that the Revised Listing Prices was agreed to by IMOR. Upon sale of a Unit, the Company provided IMOR with a summary thereof which included the actual sale price.

48. Sales began to materialize. Four offers were received and accepted on Phase 1 and 2 Units between November 4 and 16, 2010 and six offers were received and accepted between November 17, 2010 and March 10, 2011<sup>3</sup>. Based on the Revised Listing Prices, offers received were reviewed and approved by the Monitor provided the offer received was for an amount close to the listing price. Of the Phase 1 and 2 offers received and accepted, two have closed.
49. The Units in Phase 1 and 2 are not complete. The estimated costs to complete the 27 Phase 1 and 2 Units were approximately \$600,000. IMOR's loan to the Company included a construction reserve of approximately \$400,000. IMOR advanced \$54,000 for construction costs on two Phase 1 and 2 Units in the week ending October 1, 2010.
50. The Company, through the Monitor, requested from IMOR on February 13, 2011, additional funds of approximately \$238,000 to complete construction on 11 Phase 1 and 2 Units including three show suites. IMOR requested additional information which the Monitor provided on February 25, 2011.
51. Subsequent to February 25, 2011, IMOR refused to provide the funds to complete construction on the 11 Phase 1 and 2 Units and advised it never approved the sales of the Phase 1 and 2 Units at the Revised Listing Prices. Correspondence from IMOR's legal counsel dated March 3, 2011 (the "March 3<sup>rd</sup> Letter") indicated that IMOR intended to

---

<sup>3</sup> The Unit sales do not include sales of Phase 1 and 2 Units secured to CIBC.



apply to appoint a receiver and manager over the Phase 1 and 2 Units as there is no equity in the Phase 1 and 2 Units for the benefit of IMOR.

52. The Company has received and the Monitor has approved 10 Phase 1 and 2 Unit sales pursuant to the Revised Listing Prices<sup>4</sup>.
53. Medican is seeking Court approval for the sale of the 10 Units. A summary of the Units, the New Sales Price and the accepted price for each Unit is attached to the affidavit of Tyrone Schneider sworn March 25, 2011 (the "Extension Affidavit"). The Monitor supports the sale of the 10 Phase 1 and 2 Units for the following reasons:
- The sales prices appear to be reasonable in the circumstances and representative of the current Unit fair market value;
  - Harbour supports the sale of the 10 Units;
  - CIBC supports the continued sale of the Sanderson Project Units; and
  - Provided the sales are approved, Harbour has agreed to provide the funds necessary to complete construction on the Units.

#### **Mrs. Sanderson's Unit**

54. The Sanderson Project lands were originally purchased from Mrs. Sanderson. Mrs. Sanderson holds a caveat registered on all phases of the Sanderson Project including the Church Lands in the amount of \$750,000. The Company has the option of either paying Mrs. Sanderson \$750,000 or providing her with a Unit of her choice. Mrs. Sanderson has postponed her caveat to Harbour and IMOR and has selected her Unit.
55. Mrs. Sanderson's Unit is valued at \$527,000 pursuant to the Revised Listing Prices, a value less than the registered caveat. The Company proposes using \$525,000 of the funds received from Monarch's purchase of the Church Lands to conclude the arrangement with Mrs. Sanderson.

---

<sup>4</sup> One of the offers accepted was received subsequent to the March 3<sup>rd</sup> Letter and has been accepted by the Company subject to Court approval.

56. The Monitor respectfully recommends that this Honourable Court approve the use of \$525,000 in respect of Mrs. Sanderson's Unit for the following reasons:
- Mrs. Sanderson is entitled to \$750,000 in priority to all creditors (other than the Priority Charges set out in the Initial Order) in respect of the Church Lands;
  - Providing Mrs. Sanderson with the Unit frees up approximately \$225,000 to apply towards the Priority Charges; and
  - The Unit will be "sold" on a more timely basis than compared to listing it on the open market for sale.
57. Funds will be paid to Harbour thereby reducing the amount of Harbour's mortgage and reducing IMOR's loan exposure.

### Receivership

58. IMOR has filed a motion seeking to appoint a receiver-manager over the remaining 16 Phase 1 and 2 Units (assuming the approval of the sale of the 10 Units and Mrs. Sanderson's Unit as described above). It is the Monitor's view that a receivership in respect of these Units is not in the best interests of all the stakeholders for the following reasons:
- A sales team is in place and to engage a new sales team will increase costs;
  - The proposed receiver-manager is not familiar with the Sanderson Project nor the Calgary real estate market and will incur substantial costs to "get up the learning curve";
  - A receiver-manager will likely be unable to sell the remaining Units at the Revised Listing Prices as prospective purchasers typically seek price reductions because of a receivership;
  - There is a high probability that a receivership will negatively impact the market for the unsold Units in Phase 4A and those in Phase 1 and 2 which are secured by CIBC; and
  - It will likely confuse prospective purchasers as they may not understand the difference between a receivership and CCAA and the impact it may have on possible deficiencies, warranties, etc.
59. Moreover, Harbour has advised it will provide funding to complete construction on the unfinished Phase 1 and 2 Units. It is unlikely Harbour will provide such funding in a

receivership. Consequently these Units may be sold on an “as is” unfinished basis thereby further reducing net amounts to be realized on the sale of the Units.

60. Based on the foregoing it is the Monitor’s view that an appointment of a receiver-manager over the remaining 16 Phase 1 and 2 Units is not warranted.

### **Phase 1 and 2 Unit Sales Process**

61. The Company proposes that it continue to employ the same sales process currently in place. The Company appears to be gaining momentum and Phase 1 and 2 Units are selling.
62. The 16 Phase 1 and 2 Units are not complete. Costs to complete the 16 Units are estimated at \$290,975. The Company proposes to finance the costs to complete the 16 Phase 1 and 2 Units by using a portion of the proceeds realized on the sale of the 10 Phase 1 and 2 Units noted in paragraph 53 herein, the proceeds in respect of Mrs. Sanderson’s Unit, and proceeds from the sales of the 16 Phase 1 and 2 Units to the extent required.
63. The Company incurs marketing and administrative costs in the course of its sales process for the Sanderson Project Units. The Company does not generate sufficient cash flows from other sources to meet the marketing and administrative costs (the “Marketing and Administrative Fee”). The Company proposes that it withhold \$4,500 from each sale of the Phase 1, 2 and 4A Units to cover the Marketing and Administrative Fee.
64. The Company has recently experienced an increase in prospective purchaser interest in the Sanderson Project. It is the Company’s view; however, that the market for Phase 1 and 2 Units remains extremely price sensitive. The Company proposes it continue to market the Phase 1 and 2 Units at or above the Revised Listing Prices.

65. The Company proposes that the Monitor continue to approve the sales of the Sanderson Project Units and that approval can be given provided an offer price on the remaining Phase 1 and 2 Units is no less than \$1,500 below the Revised Listing Prices.
66. The Monitor concurs with the Company's proposed sales process for the remaining Phase 1 and 2 Units and recommends this Honourable Court approve the sales process as outlined in the Extension Affidavit.

### **2217 10<sup>TH</sup> AVENUE S. W. MEDICINE HAT**

67. R7 Investments Ltd. owns the Head Office. The Toronto-Dominion Bank ("TD") has a \$3.0 million first mortgage on the Head Office registered against title to the Head Office. TD is owed approximately \$1.04 million on its mortgage. In addition to the mortgage, TD has outstanding Letters of Credit ("LC's") totalling approximately \$750,000 in respect of the Company's various Development Projects. The LC's are secured by the TD's mortgage. 933 holds a second charge on the Head Office ranking subordinate to TD.
68. The Company listed the Head Office for sale with Re/Max on March 9, 2011. On March 24, 2011 Spider submitted the Stalking Horse Offer in the amount of \$1.5 million for the Head Office.
69. The Company proposes that the Head Office continue to be listed for sale with Re/Max through April 30, 2011. Interested parties will be made aware of the Stalking Horse Offer and will be encouraged by Re/Max to submit superior offers. The purchase price of any offer is to be at least equal to the Stalking Horse Offer plus a Break Fee (as defined in the Stalking Horse Offer) in the amount of \$100,000 plus any realtor commissions payable.

70. If the Stalking Horse Offer is the successful purchaser the purchase price is expected to be satisfied by a combination of the assumption of the TD mortgage of \$1.04 million and the balance in cash.
71. A Break Fee in connection with a “stalking horse” offer is commonly used. It is related to the incremental costs of the purchaser in respect of its costs incurred as purchaser and in the Monitor’s opinion is reasonable. It does not appear to be excessive in the circumstances.
72. The Monitor supports the Stalking Horse Offer and respectfully recommends that it be approved as the Stalking Horse Offer.

#### **THE ESTATES OF VALLEYDALE DEVELOPMENTS LTD.**

73. The Estates of Valleydale Developments Ltd. (“Valleydale”) is a 24 lot single family development, located in Medicine Hat. The development of the Valleydale Lots is substantially complete.
74. Valleydale is financed by way of a secured lending facility with Worthington Mortgage Corporation who is owed approximately \$355,000.
75. There are nine lots remaining for sale. Listing prices range from \$79,000 to \$100,000, for a total of approximately \$790,000. No Valleydale Lots have been sold since the date of the Initial Order.
76. The Company has negotiated the Classic Offer to purchase the Valleydale Lots. A copy of the Classic Offer is attached to the Extension Affidavit.

77. The purchase price for the Valleydale Lots is \$655,000; however, Classic will be credited \$40,000 in respect of the replacement of the letter of credit held by the City of Medicine Hat for completing certain paving requirements in respect of the development.
78. The Monitor respectfully recommends that the Classic Offer for the Valleydale Lots be approved by this Honourable Court as the purchase price appears reasonable, it is consistent with the appraised value of the lots and no offers were received for any of the Valleydale Lots since the Initial Order.

## **RIVER RIDGE LANDS**

79. The project known as River Ridge is a residential Development Project in Medicine Hat, Alberta. The Company developed the project but was unable to sell all of the lots in the development. The River Ridge Lands are legally described as Plan No. 0312290, Lots 68, 69, 70, 71, 72 and 73.
80. CIBC holds a first mortgage on the River Ridge Lands.
81. In July 2010, the Company engaged the Re/Max real estate firm to list the River Ridge Lands for sale at \$45,000 per lot. The listing was for a period of 90 days. No offers were submitted to the real estate firm and the listing agreement expired.
82. On March 24, 2011 the Company received an offer from 112 in the amount of \$78,750 (including GST) for the River Ridge Lands (the “112 Offer”). The 112 Offer was accompanied by a \$5,000 deposit. A copy of the 112 Offer is appended to the Extension Affidavit.
83. CIBC has reviewed the 112 Offer. The 112 Offer is acceptable to CIBC given that the River Ridge Lands were listed for sale with a realtor for 90 days and no offers were received.

84. The Monitor respectfully recommends that the 112 Offer be approved by this Honourable Court as it is the only offer received, CIBC, the secured creditor, has approved the 112 Offer and the purchase price appears reasonable in the circumstances. The proceeds, net of priority amounts, will be paid to CIBC.

### **1144233 ALBERTA LTD.**

85. As previously reported to this Honourable Court, 1144233 Alberta Ltd. (“114”) negotiated and finalized an offer to sell lands described as Plan 0713843, Block 1, Unit 3 in Medicine Hat with the Harvest Group GP Corporation. The Company planned on seeking Court approval of the sale. Unfortunately, the roof and several walls of the building collapsed on January 22, 2011 such that the sale could not proceed.
86. The Company will not pursue a rebuild of the building. The building sits on a flood plain. As a result of new strict building bylaws in Medicine Hat for structures to be located on a flood plain, the re-construction costs are estimated to be greater than the quantum of insurance coverage on the building. The building was insured to a total of \$2,395,000. The Company is attempting to negotiate a settlement with its insurer. Once a settlement with its insurer is reached, it will be placed before the Court by the Company for approval.

### **PLAN OF ARRANGEMENT**

87. The Company continues to review the viability of several of its Development Projects. The Company believes that, in particular, the Michener Project, the “Cimarron Project” and the completion of Phases 3 and 4B of the Sanderson Project and the Church Lands will be integral components of a plan of arrangement for consideration by its creditors.

88. The Michener Project is expected to produce significant equity once completed and all Units sold. The “Cimarron Project”, which has been detailed in prior reports of the Monitor, is also projected to provide the Company with an ongoing revenue stream once development is under way in the next 12 to 18 months.
89. The Sanderson Project is more complex than the Michener and Cimarron Projects. The Company is working with the Monitor and its stakeholders to determine the best course of action to develop Phases 3 and 4B of the Sanderson Project and the Church Lands.
90. The Company has identified several new cost-plus projects. The projects generally are required to be bonded and the Company is unable to obtain bonding while in the CCAA Proceedings. The Company; therefore, plans to advance its restructuring plan for the benefit of its creditors by May 31, 2011.

## **CLAIMS REVIEW**

91. In order for the Company to advance a plan of arrangement to its creditors, a review of the various creditor claims against the Medican Group will have to be concluded. The Claims Procedure Order made by this Honourable Court required the Affected Creditors (as defined in the Claims Procedure Order) to submit proofs of claim by July 30, 2010 (“Bar Date”). The Monitor has received 628 claims. The Monitor has reviewed both the secured claims and the unsecured claims.
92. 65 creditors filed claims with the Monitor subsequent to the Claims Bar Date.
93. The Company completed its review of the unsecured claims approximately two weeks ago. The Company in its review noted some incorrect claims. Those claims may require additional information be submitted by the creditor in support of such claim, or they may be disputed or be disallowed in whole or in part. The Company and the Monitor



plan to meet in April 2011 to review the incorrect claims to advance the claims procedure process.

94. The Monitor has reviewed the late-filed claims and will be making a recommendation to this Honourable Court in a subsequent report.

## **CASH FLOW**

95. Medican Group previously filed a cash flow projection for the period ending April 1, 2011. A comparison of the budget to actual results for the period ending March 18, 2011 is provided as Appendix “C”.
96. An updated projected statement of cash flow to the week ending September 30, 2011 (“Projection”) is provided as Appendix “D”. The notes to the Projection should be read in conjunction with the Projection.
97. The Monitor assisted the Company with the preparation of the Projection. The Projection is predicated on Medican Group continuing to operate in the normal course in the context of the CCAA Proceedings. The Monitor reviewed the Projection and its underlying assumptions and concluded that it is reasonable in the circumstances.

## **DEBTOR-IN-POSSESSION FINANCING**

98. The debtor-in-possession (“DIP”) financing facility was provided by Paragon Capital Corporation Ltd. (“Paragon”). As at December 31, 2010 the Company had fully drawn on the \$3.5 million DIP facility. The Company repaid \$1.0 million to Paragon on January 28, 2011 in connection with the sale of the Church Lands to Monarch.

99. As previously reported, Paragon agreed to extend the DIP facility repayment date of February 28, 2011 to March 31, 2011 (“Maturity Date”) provided it obtained a fee of \$12,500 for such extension. The Company paid the \$12,500 extension fee.
100. In respect of the Priority Charges the Company has withheld<sup>5</sup> \$8,500 from the sale of Units and 5% of the sale price in connection with the sale of undeveloped lands. Amounts have also been withheld from sales of certain R7 properties. A summary of amounts held in respect of the Priority Charge is attached as Appendix “E”.
101. Sufficient funds are held by the Company to pay out the \$2.5 million balance owing on the DIP facility. The Company proposes to pay out the DIP facility on March 31, 2011. The pay out will be without prejudice to any subsequent application to allocate the Priority Charges pursuant to paragraph 43 of the Initial Order. The Monitor supports the pay out of the DIP facility to reduce ongoing interest costs.

## MONITOR’S ACTIVITIES

102. In addition to the activities referenced in this Report, the Monitor’s activities since the date of the Eighth Report include:
- Reviewing the Company’s cash flow;
  - Reviewing claims resulting from the Court-approved claims process;
  - Participating in meetings with the Company and certain senior lenders;
  - Reviewing and approving offers for the sale of Units;
  - Reviewing and assessing offers received in respect of certain of the Company’s Development Projects;
  - Investigating the Chartwell Transaction between 933 and the Company;

---

<sup>5</sup> The amounts are held by the Company’s legal counsel, Fraser Milner Casgrain LLP.

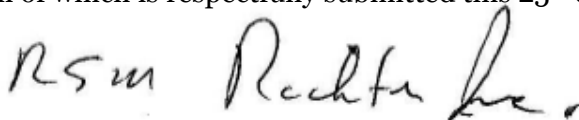
- Discussing with appraisers engaged by the Monitor the valuation of certain properties owned or previously owned by the Company;
- Assisting the Company with the development of its plan of compromise or arrangement;
- Continuing to communicate with creditors of the Company;
- Corresponding with certain real estate agents representing the Company; and
- Drafting this Report.

## CONCLUSION AND RECOMMENDATION

103. Based on the foregoing the Monitor is of the view that the Company is acting in good faith and with due diligence. Accordingly, the Monitor respectfully recommends that this Honourable Court make orders granting the relief detailed in Section 4 c) of this Report.

\* \* \*

All of which is respectfully submitted this 25<sup>th</sup> day of March, 2011.



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

**Medican Group of Companies**  
**Summary of Unit Sales from May 26, 2010**  
**As at March 24, 2011**  
(\$Canadian, Unaudited)

Appendix "A"

Date	Site	Phase	Closing	Suite	Asking Price	Accepted Price
5/28/2010	Axxess Terwillegar	1	6/18/2010	304	230,000.00	222,869.00
5/28/2010	Axxess Terwillegar	1	6/25/2010	104	225,000.00	217,776.00
5/29/2010	Canvas @ Millrise	4	7/9/2010	2127	224,900.00	214,900.00
5/31/2010	Canvas @ Millrise	4	7/30/2010	2129	224,900.00	209,677.00
5/31/2010	Canvas @ Millrise	4	7/30/2010	2121	224,900.00	214,900.00
5/31/2010	Canvas @ Millrise	4	7/30/2010	2125	224,900.00	214,900.00
6/1/2010	Canvas @ Millrise	4	7/23/2010	2122	179,900.00	169,900.00
6/1/2010	Legend @ Creekbend	2	6/30/2010	315	256,000.00	254,000.00
6/2/2010	Axxess Terwillegar	1	7/15/2010	102	249,000.00	240,311.00
6/2/2010	Canvas @ Millrise	3	7/21/2010	2108	179,900.00	169,900.00
6/2/2010	Canvas @ Millrise	4	7/25/2010	2134	184,900.00	174,900.00
6/2/2010	Canvas @ Millrise	4	7/16/2010	2124	179,900.00	169,900.00
6/2/2010	Canvas @ Millrise	4	6/30/2010	2139	204,900.00	194,900.00
6/4/2010	Legend @ Creekbend	2	9/1/2010	431	171,491.00	172,491.00
6/8/2010	Axxess Terwillegar	1	7/5/2010	228	225,000.00	218,024.00
6/10/2010	Canvas @ Millrise	4	7/19/2010	2231	259,900.00	249,900.00
6/14/2010	Canvas @ Millrise	3	8/1/2010	2217	249,000.00	234,496.00
5/29/2010	Sanderson Ridge	4A	10/1/2010	F140	560,300.00	504,300.00
6/7/2010	Sanderson Ridge	3	pre sale	A013	471,900.00	419,805.00
6/14/2010	Sanderson Ridge	2	9/3/2010	B308	393,830.00	356,850.00
6/19/2010	Canvas @ Millrise	4	7/30/2010	2126	259,622.00	254,400.00
6/19/2010	Canvas @ Millrise	3	7/30/2010	2412	279,900.00	264,900.00
6/19/2010	Canvas @ Millrise	4	9/30/2010	2128	256,622.00	241,350.00
6/21/2010	Canvas @ Millrise	3	7/2/2010	2135	249,900.00	239,900.00
6/22/2010	Legend @ Creekbend	2	7/28/2010	219	198,000.00	204,000.00
6/23/2010	Legend @ Creekbend	3	pre sale	143	199,000.00	189,000.00
6/23/2010	Sanderson Ridge	3	pre sale	A202	499,900.00	438,650.00
6/24/2010	Axxess @ Terwillegar	1	7/23/2010	106	173,000.00	164,000.00
6/24/2010	Legend @ Creekbend	3	pre sale	338	289,900.00	279,000.00
6/25/2010	Axxess @ Terwillegar	1	7/5/2010	314	213,000.00	203,489.00
6/26/2010	Canvas @ Millrise	4	7/21/2010	2410	224,900.00	214,900.00
6/30/2010	Canvas @ Millrise	3	8/16/2010	2131	224,900.00	214,900.00
7/5/2010	Cercle des Cantons	2	7/10/2010	105	210,000.00	170,000.00
7/7/2010	Canvas @ Millrise	4	9/30/2010	2423	269,900.00	257,000.00
7/8/2010	Legend @ Creekbend	3	pre sale	243	201,000.00	191,000.00
7/14/2010	Sanderson Ridge	3	pre sale	A317	699,900.00	641,155.00
7/15/2010	Canvas @ Millrise	3	8/3/2010	2130	199,900.00	189,900.00
7/15/2010	Canvas @ Millrise	4	8/18/2010	2325	259,900.00	242,000.00
7/17/2010	Axxess @ Terwillegar	1	8/23/2010	414	210,000.00	198,644.00
7/21/2010	Canvas @ Millrise	3	8/4/2010	2230	209,900.00	199,900.00
7/22/2010	Cercle des Cantons	2	8/6/2010	100	295,000.00	250,000.00
7/25/2010	Cercle des Cantons	2	8/6/2010	307	390,000.00	325,000.00
7/25/2010	Cercle des Cantons	2	8/6/2010	204	270,000.00	230,000.00
7/31/2010	Axxess @ Terwillegar	1	9/1/2010	113	154,070.00	153,570.00
8/1/2010	Cercle des Cantons	2	9/15/2010	201	295,000.00	241,000.00

**Medican Group of Companies**  
**Summary of Unit Sales from May 26, 2010**  
**As at March 24, 2011**  
(\$Canadian, Unaudited)

Appendix "A"

Date	Site	Phase	Closing	Suite	Asking Price	Accepted Price
8/3/2010	Axxess @ Terwillegar	1	8/27/2010	327	249,000.00	237,404.00
8/3/2010	Cercle des Cantons	2	9/1/2010	110	293,802.00	259,802.00
8/4/2010	Legend @ Creekbend	2	11/1/2010	226	257,000.00	253,000.00
8/9/2010	Axxess @ Terwillegar	1	9/10/2010	223	166,000.00	162,000.00
8/12/2010	Cercle des Cantons	2	8/23/2010	101	295,000.00	245,000.00
8/21/2010	Axxess @ Terwillegar	1	9/17/2010	119	154,070.00	154,070.00
8/22/2010	Axxess @ Terwillegar	1	10/18/2010	123	162,000.00	154,070.00
8/23/2010	Axxess @ Terwillegar	1	9/17/2010	128	223,000.00	215,601.00
8/23/2010	Canvas @ Millrise	3	9/23/2010	2408	224,900.00	214,900.00
8/26/2010	Canvas @ Millrise	4	10/1/2010	2335	269,900.00	259,900.00
8/28/2010	Axxess @ Terwillegar	1	9/15/2010	121	185,000.00	171,550.00
8/31/2010	Canvas @ Millrise	3	9/20/2010	2209	264,900.00	250,900.00
9/4/2010	Legend @ Creekbend	2	10/1/2010	421	252,000.00	252,000.00
9/8/2010	Legend @ Creekbend	3	5/18/2012	237	290,000.00	280,000.00
9/10/2010	Cercle des Cantons	2	9/20/2010	113	199,000.00	185,000.00
9/10/2010	Canvas @ Millrise	4	10/1/2010	2433	279,900.00	263,900.00
9/17/2010	Axxess @ Terwillegar	1	10/28/2010	219	166,000.00	157,946.00
9/23/2010	Cercle des Cantons	2	10/3/2010	300	367,000.00	304,675.00
9/26/2010	Canvas @ Millrise	3	2/1/2011	2137	239,900.00	229,900.00
9/28/2010	Canvas @ Millrise	4	11/26/2010	2228	254,900.00	244,900.00
10/2/2010	Axxess @ Terwillegar	1	10/25/2010	215	239,342.00	237,342.00
10/4/2010	Canvas @ Millrise	3	11/5/2010	2210	219,900.46	209,900.46
10/8/2010	Canvas @ Millrise	4	10/22/2010	2329	249,000.00	237,900.00
10/10/2010	Axxess @ Terwillegar	1	10/29/2010	103	163,760.00	155,039.00
10/13/2010	Axxess @ Terwillegar	1	11/30/2010	203	192,830.00	188,954.00
10/14/2010	Canvas @ Millrise	4	11/5/2010	2429	264,900.00	247,093.00
10/17/2010	Canvas @ Millrise	4	11/26/2010	2226	254,900.00	239,900.00
10/18/2010	Canvas @ Millrise	4	11/26/2010	2425	264,900.00	251,937.00
10/18/2010	Canvas @ Millrise	4	11/27/2010	2435	254,900.00	244,900.00
10/20/2010	Axxess @ Terwillegar	1	11/28/2010	127	221,898.00	218,023.25
10/21/2010	Canvas @ Millrise	4	11/29/2010	2437	259,900.00	244,900.00
10/21/2010	Axxess @ Terwillegar	1	11/30/2010	230	227,712.00	222,869.00
10/25/2010	Canvas @ Millrise	3	12/1/2010	2212	259,900.00	244,900.00
10/26/2010	Axxess @ Terwillegar	1	12/2/2010	202	252,000.00	242,250.00
10/26/2010	Axxess @ Terwillegar	1	12/3/2010	227	229,650.36	222,868.22
11/4/2010	Cercle des Cantons	2	12/4/2010	118	333,000.00	333,000.00
11/4/2010	Sanderson Ridge	1	12/5/2010	F309	253,000.00	240,000.00
11/4/2010	Canvas @ Millrise	3	12/6/2010	2102	249,900.00	230,620.00
11/6/2010	Canvas @ Millrise	3	12/7/2010	2119	219,900.00	209,900.00
11/9/2010	Axxess @ Terwillegar	1	12/8/2010	318	212,210.00	208,000.00
11/10/2010	Axxess @ Terwillegar	1	12/9/2010	208	156,977.00	156,008.00
11/12/2010	Canvas @ Millrise	3	12/10/2010	2442	269,900.00	259,900.00
11/13/2010	Sanderson Ridge	1	12/11/2010	B104	339,000.00	336,965.00
11/13/2010	Sanderson Ridge	1	12/12/2010	B206	354,000.00	354,000.00
11/16/2010	Sanderson Ridge	2	12/13/2010	F134	242,000.00	230,000.00

**Medican Group of Companies**  
**Summary of Unit Sales from May 26, 2010**  
**As at March 24, 2011**  
(\$Canadian, Unaudited)

Appendix "A"

Date	Site	Phase	Closing	Suite	Asking Price	Accepted Price
11/16/2010	Axxess @ Terwillegar	1	12/14/2010	306	173,450.00	170,543.00
11/21/2010	Axxess @ Terwillegar	1	12/15/2010	330	231,588.00	228,000.00
11/21/2010	Sanderson Ridge	1	12/16/2010	C407	575,000.00	550,000.00
11/25/2010	Axxess @ Terwillegar	1	12/17/2010	323	167,000.00	167,000.00
11/30/2010	Axxess @ Terwillegar	1	12/18/2010	206	177,000.00	170,000.00
11/30/2010	Axxess @ Terwillegar	1	12/19/2010	406	173,450.00	167,636.00
12/1/2010	Cercle des Cantons	2	12/20/2010	302	355,000.00	297,000.00
12/2/2010	Axxess @ Terwillegar	1	12/21/2010	125	163,760.00	163,760.00
12/3/2010	Sanderson Ridge	1	12/22/2010	B202	349,000.00	343,903.00
12/6/2010	Axxess @ Terwillegar	1	12/23/2010	425	192,830.00	189,923.00
12/6/2010	Axxess @ Terwillegar	1	12/24/2010	213	156,977.00	155,039.00
12/7/2010	Axxess @ Terwillegar	1	12/25/2010	107	154,070.00	154,070.00
12/10/2010	Axxess @ Terwillegar	1	12/26/2010	320	174,350.00	170,543.00
12/10/2010	Canvas @ Millrise	4	12/27/2010	2224	199,900.00	183,900.00
12/11/2010	Axxess @ Terwillegar	1	12/28/2010	225	186,046.00	182,171.00
12/15/2010	Axxess @ Terwillegar	1	12/30/2010	315	250,968.00	245,256.00
12/16/2010	Axxess @ Terwillegar	1	12/31/2010	430	250,968.00	242,249.00
12/16/2010	Sanderson Ridge	1	1/1/2011	B306	362,000.00	357,000.00
12/16/2010	Axxess @ Terwillegar	1	1/2/2011	319	159,883.00	156,237.00
12/20/2010	Sanderson Ridge	1	1/3/2011	B302	354,000.00	349,000.00
12/22/2010	Axxess @ Terwillegar	1	1/4/2011	419	173,449.00	167,152.00
12/27/2010	Axxess @ Grande Prairie	3	1/5/2011	112	138,900.00	132,000.00
12/27/2010	Canvas @ Millrise	2	1/6/2011	1242	264,900.00	254,900.00
12/31/2010	Legend @ Creekbend	2	1/7/2011	325	180,000.00	180,000.00
1/5/2011	Sanderson Ridge	1	1/8/2011	C101	344,000.00	341,000.00
1/5/2011	Axxess @ Terwillegar	1	1/9/2011	421	173,449.00	171,600.00
1/5/2011	Sanderson Ridge	1	1/10/2011	B307	357,000.00	352,500.00
1/10/2011	Sanderson Ridge	1	1/11/2011	F303	289,000.00	284,000.00
1/13/2011	Axxess @ Terwillegar	1	1/12/2011	325	188,953.00	185,320.00
1/17/2011	Axxess @ Terwillegar	1	1/15/2011	117	154,070.00	154,070.00
1/18/2011	Canvas @ Millrise	2	3/1/2011	1223	264,900.00	254,900.00
1/20/2011	Sanderson Ridge	4A	3/17/2011	F342	344,000.00	339,000.00
1/20/2011	Sanderson Ridge	4A	5/1/2011	F442	349,000.00	349,000.00
1/22/2011	Axxess @ Grande Prairie	2	2/15/2011	110	160,900.00	153,000.00
1/28/2011	Canvas @ Millrise	2	4/1/2011	1233	274,900.00	264,900.00
2/2/2011	Sanderson Ridge	4A	5/27/2011	F242	339,000.00	337,000.00
2/4/2011	Axxess @ Terwillegar	1	3/9/2011	405	176,841.00	176,841.00
2/5/2011	Cercle des Cantons	2	2/28/2011	107	210,000.00	189,000.00
2/8/2011	Sanderson Ridge	1	6/15/2011	B303	354,000.00	354,000.00
2/8/2011	Canvas @ Millrise	3	3/1/2011	2413	254,900.00	227,713.18
2/13/2011	Sanderson Ridge	4A	3/15/2011	F138	260,000.00	260,000.00
2/13/2011	Cercle des Cantons	2	3/4/2011	306	320,000.00	275,000.00
2/14/2011	River Stone	1	4/1/2011	328	174,900.00	135,238.10
2/16/2011	Canvas @ Millrise	1	7/30/2011	1307	259,900.00	247,400.00
2/17/2011	Canvas @ Millrise	1	3/24/2011	1437	274,900.00	261,000.00

**Medican Group of Companies**  
**Summary of Unit Sales from May 26, 2010**  
**As at March 24, 2011**  
(\$Canadian, Unaudited)

Appendix "A"

<b>Date</b>	<b>Site</b>	<b>Phase</b>	<b>Closing</b>	<b>Suite</b>	<b>Asking Price</b>	<b>Accepted Price</b>
2/20/2011	Cercle des Cantons	2	3/28/2011	209	348,000.00	293,305.00
2/24/2011	Canvas @ Millrise	2	3/28/2011	1336	279,900.00	269,900.00
2/24/2011	Axxess @ Terwillegar	1	3/15/2011	222	169,573.65	169,573.65
2/25/2011	Axxess @ Grande Prairie	2	5/2/2011	402	150,900.00	145,000.00
2/27/2011	Canvas @ Millrise	2	4/29/2011	1131	254,900.00	244,900.00
2/28/2011	Canvas @ Millrise	2	4/29/2011	1129	254,900.00	244,900.00
2/28/2011	Axxess @ Terwillegar	1	3/15/2011	413	173,449.00	166,666.00
2/28/2011	Axxess @ Terwillegar	1	3/18/2011	423	173,449.00	169,088.56
3/4/2011	Axxess @ Terwillegar	1	4/29/2011	130	237,403.10	237,403.10
3/7/2011	Sanderson Ridge	4A	4/23/2011	F236	268,000.00	263,000.00
3/9/2011	Axxess @ Terwillegar	1	4/1/2011	427	237,403.00	234,903.00
3/10/2011	Canvas @ Millrise	2	4/1/2011	1339	224,900.00	214,900.00
3/10/2011	Axxess @ Terwillegar	1	6/30/2011	201	237,402.00	237,402.00
3/11/2011	Sanderson Ridge	4A	8/15/2011	F317	358,000.00	353,000.00
3/14/2011	Axxess @ Terwillegar	1	3/28/2011	217	156,976.74	156,976.74
3/16/2011	Axxess @ Terwillegar	1	7/15/2011	101	237,403.10	234,903.10
3/17/2011	Axxess @ Terwillegar	1	4/29/2011	116	211,999.00	210,755.81
3/18/2011	Axxess @ Terwillegar	1	4/29/2011	410	175,387.00	171,511.00
3/22/2011	Axxess @ Terwillegar	1	4/18/2011	313	167,151.16	167,151.16
<b>Total</b>				<b>154</b>	<b>38,238,585.57</b>	<b>36,361,047.33</b>

**Medican Group of Companies**  
**Analysis of 933680 Alberta Ltd. Loans**  
**As at March 15, 2011**  
(\$Canadian, Unaudited)

	Notes	933 Accounting	Monitor's Accounting	
			Scenario A	Scenario B
Outstanding March 31, 2009	1	5,918,254.05	5,918,254.05	5,918,254.05
August 28, 2009 advance	2	1,020,000.00	1,020,000.00	1,020,000.00
April 1 to October 31, 2009				
Interest	3	600,295.52	599,567.50	599,567.50
Payments by Medican	3	<u>(280,829.34)</u>	<u>(280,829.34)</u>	<u>(280,829.34)</u>
Outstanding October 31, 2009		7,257,720.23	7,256,992.21	7,256,992.21
933 assumption of Chartwell	4	(2,150,000.00)	(2,150,000.00)	(3,500,000.00)
Gratuitous payment to Wes Reinheller		<u>-</u>	<u>(50,000.00)</u>	<u>-</u>
Outstanding after Chartwell assumption		5,107,720.23	5,056,992.21	3,756,992.21
November 1, 2009 to April 1, 2010				
Interest	5	433,347.15	374,471.74	276,413.40
Payments by Medican	3	<u>(188,835.77)</u>	<u>(188,835.76)</u>	<u>(188,835.76)</u>
Outstanding prior to Sylvan Lake Marina transaction		5,352,231.61	5,242,628.19	3,844,569.85
Bonus Payable		819,726.03	-	-
933 Assumption of Sylvan Lake Marina	6	(3,000,000.00)	(2,600,000.00)	(2,600,000.00)
Loan write off		(1,536,184.87)	-	-
First secured creditor payment		400,000.00	-	-
Interest waiver	6	<u>-</u>	<u>(716,458.83)</u>	<u>(491,193.13)</u>
Outstanding post Sylvan Lake Marina transaction		2,035,772.77	1,926,169.36	753,376.72
April 2 to September 30, 2010				
Interest	5	171,658.10	167,153.17	58,133.75
Michener Hill Payment	7	<u>(1,400,000.00)</u>	<u>(1,400,000.00)</u>	<u>(1,400,000.00)</u>
Outstanding/(Overpayment) as at September 30, 2010		807,430.87	693,322.53	(588,489.53)
Additional amounts claimed re Sylvan Lake/Chartwell	8	<u>717,206.54</u>	<u>131,512.52</u>	<u>131,512.52</u>
Net amount payable/(receivable) to/from 933		<u><u>1,524,637.41</u></u>	<u><u>824,835.05</u></u>	<u><u>(456,977.01)</u></u>



**Medican Group of Companies**  
**Notes to Analysis of 933680 Alberta Ltd. Loans**  
**As at March 15, 2011**  
(\$Canadian, Unaudited)

---

1. Pursuant to an accounting provided by 933680 Alberta Ltd. ("933") and agreed to Medican Group's March 31, 2009 financial statements prepared by Meyers Norris Penny.
2. Loan advanced by 933 on August 28, 2009. Wes Reinheller's personal ranch was pledged as security.
3. The interest rate on credit facilities 1,2 and 3 is 18%. The interest rate on credit facilities 4 and 5 are 12% and 15% respectively. 933's interest calculation included an extra day (32 days for the month of October). The repayments by Medican Group are recorded in the accounting provided by 933.
4. Effective May 1, 2009 Chartwell was sold to Live Well Communities Inc. ("Live Well") for a purchase price of \$2.15 million. Live Well is a wholly-owned subsidiary of 933. As consideration of the purchase price, Live Well agreed to "assume" credit facility 4. The Monitor engaged the appraisal firm of Cushman & Wakefield Ltd. to provide a retrospective appraisal of Chartwell as at May 1, 2009. It was Cushman & Wakefield's opinion that the retrospective market value of Chartwell was \$3.5 million.
5. The interest variance between 933's scenario and the Monitor's Scenario A is a timing difference. Live Well assumed Credit Facility 4 on February 10, 2010 in the amount of \$1.75 million; however, the actual closing date was October 31, 2009. The Medican Group should not have been responsible for interest post the effective date. The Interest calculated in the Monitor's Scenario B assumes 933's debt was reduced by \$3.5 million, the retrospective appraised value of Chartwell. The larger loan principal reduction reduces the accrued interest amount.
6. Medican Group sold the Sylvan Lake Marina to 933 in exchange for 933 "assuming" its debt totaling \$3.6 million. The purchase price comprised principal of \$2.6 million, forgiveness of an \$800,000 bonus and \$716,458.83 in interest. It is the Monitor's position that the \$800,000 bonus was neither due nor payable as at the date Medican Group sold the Sylvan Lake Marina to 933. The Monitor has assumed that had Chartwell been purchased by 933 for \$3.5 million, the interest accruing on 933's loans would have decreased. The interest waiver amount has been adjusted to reflect the reduced 933 loans in connection with a higher purchase price for Chartwell.
7. 933 was paid \$1.4 million in connection with the financing arrangement on the Michener Hill Project.
8. In addition to loan amounts outstanding, 933's proof of claim included amounts owing in respect of Sylvan Lake Marina and Chartwell. In respect of the Sylvan Lake Marina, 933 has claimed unpaid lease payments (\$109,621), unpaid property taxes (\$63,974) and estimated costs relating to encroachment, deferred maintenance and structural impairments (\$375,000). In respect of Chartwell, 933 has claimed property taxes (\$16,616) and off-site levies (\$130,104). Legal fees of \$21,892 were also included. It is the Monitor's position that 933 is entitled to claim for unpaid lease payments and its legal fees. It is the Monitors position that the portion of 933's claim relating to property taxes, off-site levies and encroachment matters are not claims owing by Medican Group.

**Medican Group of Companies**  
**Cash Flow Variance - Cumulative Results**  
**43 Weeks Ending March 18, 2011**  
(\$Canadian, Unaudited)

	<u>Notes</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Receipts</b>				
Income from Medican Concrete Ltd.	1	2,311,839	2,352,534	40,695
Millrise	2	1,431,029	1,415,295	(15,734)
Heritage Heights (Haven)	2	299,354	275,354	(24,000)
Brenda Strafford Foundation/Okotoks	2	600,483	502,474	(98,009)
Profits from Extencicare Projects	2	1,472,598	1,536,098	63,500
Estevan		54,495	54,495	-
Sanderson Phases 1 and 2	3	88,692	54,405	(34,287)
Michener Hill		2,294,607	2,355,689	61,082
Proceeds from 7th Street Property		175,000	175,000	-
Sale of Diepert Land		250,000	250,000	-
Funding for Lethbridge Fairmont Park		90,606	90,606	-
Proceeds from Sale of Cottonwood		50,000	50,000	-
Legend at Creekbend - Winnipeg	4	250,000	-	(250,000)
Sanderson Church Lands	5	2,045,000	1,954,476	(90,524)
Repayment on Condo		181,817	181,817	0
Sale of MOVE Centre	6	340,000	430,100	90,100
Edgewood - Brooks Project	7	69,169	247,080	177,911
Terwillegar reimbursement	8	-	9,400	9,400
Miscellaneous	9	1,025,672	1,385,007	359,335
DIP Financing		3,500,000	3,500,000	-
<b>Total Receipts</b>		<b>16,530,362</b>	<b>16,819,830</b>	<b>289,468</b>
<b>Disbursements</b>				
Utilities and Supplies	10	1,011,365	880,979	(130,386)
Preauthorized Payments	11	694,986	641,641	(53,346)
Preauthorized Payments - Concrete	12	117,763	127,567	9,804
Payroll - Hourly	2	1,510,333	1,519,258	8,925
Payroll - Salary	13	2,313,323	2,144,224	(169,099)
Payroll - Quebec		23,560	23,560	-
Payroll - Concrete and Expenses	2	2,121,148	2,046,293	(74,855)
Payroll - Subcontractors	14	1,071,398	1,168,812	97,414
Payroll - Remittances	15	1,214,546	1,313,382	98,836
WCB	2	149,511	129,511	(20,000)
Benefits - GWL/LL		318,865	317,716	(1,149)
GST		224,992	218,992	(6,000)
Professional Fees		1,745,507	1,745,507	-
Accounting Fees		207,400	194,015	(13,385)
Service Charges		25,059	19,048	(6,011)
Paragon Fees		429,984	433,984	4,000
Paragon Loan Repayment		1,000,000	1,000,000	-
Sanderson Trades	16	93,563	141,872	48,308
Michener Hill Expenses	2	1,448,463	1,442,050	(6,413)
Contingency		995,997	1,102,007	106,010
<b>Total Disbursements</b>		<b>16,717,763</b>	<b>16,610,417</b>	<b>(107,346)</b>
Total Cash In/(Out)		(187,401)	209,413	396,814
Opening Cash Position		211,033	211,033	-
Closing Cash Position		23,632	420,446	396,814

**Medican Group of Companies**  
**Notes to the Cash Flow Variance - Cumulative Results**  
**43 Weeks Ending March 18, 2011**  
(\$Canadian, Unaudited)

---

1. Actual income in respect of Concrete was greater than projected.
2. Timing difference
3. IMOR has not funded Medican Group for costs incurred to complete costs on Harbour/IMOR units sold at Sanderson.
4. Timing difference. The Monitor's certificate was signed on March 23, 2011. Funds are expected to be received by the week ending April 15, 2011.
5. Medican was unable to secure a contract which was projected to increase receipts by \$80,000 per month. The projected amount originally captured one month of receipts.
6. Funds in excess of the Harbour mortgage were released to Medican Group.
7. The projected amount was on a net receipt basis. Actual amounts are gross receipts and corresponding expenses are recorded below.
8. The MacDonald Group has agreed to reimburse Medican Group for staff marketing costs. Estimated receipt is \$3,000 per month.
9. Consists of refunds received from WCB, certain utilities, and reimbursements to Medican Construction for expenses incurred on behalf of other Medican Group entities.
10. Due to the sale of certain projects and assets, utility costs per month have been reduced. In addition, more cost effective suppliers have been sought in order to reduce costs.
11. Due to the sale of certain assets, insurance premiums have decreased. In addition, certain leased vehicles have been returned to the lessor.
12. Concrete's vehicles were previously classified as Medican Construction pre-authorized payments in error.
13. The decrease is due to employee termination and turnover.
14. Additional subcontractors hired to meet work requirements. Fluctuations are expected.
15. Remittances were previously underestimated.
16. Additional costs have been incurred on suites sold since the prior report.

**Medican Group of Companies**  
**Consolidated Projected Statement of Cash Flow to September 30, 2011**  
(\$Canadian, Unaudited)

	Notes	Actual to from Mar 4 to Mar 18	25-Mar	April	May	June	July	August	September	Total
<b>Receipts</b>										
Operations	1	326,400	473,636	453,347	543,000	468,000	518,000	463,000	381,000	3,626,383
Sale of assets	2	-	-	350,000	100,000	100,000	350,000	100,000	-	1,000,000
Concrete	3	-	-	55,591	-	-	-	-	-	55,591
Intercompany transfers	4	405,000	-	-	-	-	-	-	-	405,000
Refunds	5	2,217	4,245	-	-	-	-	-	-	6,462
<b>Total Receipts</b>		<b>733,617</b>	<b>477,881</b>	<b>858,938</b>	<b>643,000</b>	<b>568,000</b>	<b>868,000</b>	<b>563,000</b>	<b>381,000</b>	<b>5,093,437</b>
<b>Disbursements</b>										
Operations	1	481,987	10,510	601,827	431,629	438,929	376,629	324,819	436,119	3,102,449
Concrete	3	34,266	-	-	-	-	-	-	-	34,266
Head Office overhead costs	6	370,206	67,985	432,514	265,123	326,850	344,955	295,320	390,147	2,493,099
<b>Total Disbursements</b>		<b>886,460</b>	<b>78,495</b>	<b>1,034,341</b>	<b>696,752</b>	<b>765,779</b>	<b>721,584</b>	<b>620,139</b>	<b>826,266</b>	<b>5,629,815</b>
Total Net Cash In/(Out)		(152,842)	399,386	(175,403)	(53,752)	(197,779)	146,416	(57,139)	(445,266)	(536,378)
Opening Cash Position		573,289	420,447	819,832	644,430	590,678	392,899	539,316	482,177	573,289
Closing Cash Position		420,447	819,832	644,430	590,678	392,899	539,316	482,177	36,911	36,911

**Medican Group of Companies - Operations**  
**Projected Statement of Cash Flow to September 30, 2011**  
(\$Canadian, Unaudited)

	Notes	Actual to	25-Mar	April	May	June	July	August	September	Total
		from Mar 4 to Mar 18								
<i>Receipts</i>										
Edgewood	7	119,000	136,000	-	-	-	-	-	-	255,000
Canvas at Millrise	8	-	-	90,082	80,000	80,000	110,000	110,000	50,000	520,082
Heritage Heights (Haven)	8	-	63,500	-	50,000	75,000	100,000	100,000	75,000	463,500
Brenda Strafford - Okotoks	8	-	64,000	100,362	100,000	110,000	110,000	110,000	150,000	744,362
Michener Hill	8	-	210,136	-	120,000	110,000	110,000	60,000	23,000	633,136
Central - Insurance	8	-	-	-	95,000	-	-	-	-	95,000
Extencicare	9	198,000	-	220,500	55,000	50,000	50,000	50,000	50,000	673,500
Canvas - Employee contracting	10	-	-	7,500	5,000	5,000	-	-	-	17,500
Cimmaron - Employee contracting	10	-	-	11,904	10,000	10,000	10,000	10,000	10,000	61,904
Terwillegar - Employee contracting	10	9,400	-	3,000	3,000	3,000	3,000	3,000	3,000	27,400
Sanderson - Harbour/IMOR	11	-	-	10,000	15,000	15,000	15,000	15,000	15,000	85,000
Sanderson - CIBC	11	-	-	10,000	10,000	10,000	10,000	5,000	5,000	50,000
<b>Total Receipts</b>		<b>326,400</b>	<b>473,636</b>	<b>453,347</b>	<b>543,000</b>	<b>468,000</b>	<b>518,000</b>	<b>463,000</b>	<b>381,000</b>	<b>3,626,383</b>
<i>Disbursements</i>										
Payroll - Hourly	12	50,332	-	155,407	160,000	166,150	145,000	130,000	195,000	1,001,888
Payroll - Salary	12	48,219	-	50,000	55,000	60,000	55,000	50,000	50,000	368,219
Payroll - Subcontractors	12	73,658	10,000	169,150	200,000	196,150	160,000	128,700	170,000	1,107,658
Payroll - Expense reports	12	70,400	-	30,000	-	-	-	-	-	100,400
Remittances	13	72,973	-	55,055	4,000	4,000	4,000	4,000	6,000	150,028
GST	14	-	-	-	-	-	-	-	-	-
Trade and Suppliers	15	125,529	-	126,547	-	-	-	-	-	252,076
Sanderson		-	-	-	-	-	-	-	-	-
- Trades	16	22,105	-	-	-	-	-	-	-	22,105
- Marketing	11	9,105	-	9,158	6,119	6,119	6,119	6,119	6,119	48,858
- Payroll	11	3,665	-	6,000	6,000	6,000	6,000	6,000	9,000	42,665
- GWL		-	-	-	-	-	-	-	-	-
- Remittances	11	3,404	-	-	-	-	-	-	-	3,404
- Expense reports	16	2,155	-	-	-	-	-	-	-	2,155
- Utilities and phones	11	442	510	510	510	510	510	-	-	2,992
<b>Total Disbursements</b>		<b>481,987</b>	<b>10,510</b>	<b>601,827</b>	<b>431,629</b>	<b>438,929</b>	<b>376,629</b>	<b>324,819</b>	<b>436,119</b>	<b>3,102,449</b>
<b>Total Project Cash Flow</b>		<b>(155,587)</b>	<b>463,126</b>	<b>(148,479)</b>	<b>111,371</b>	<b>29,071</b>	<b>141,371</b>	<b>138,181</b>	<b>(55,119)</b>	<b>523,935</b>

**Medican Group of Companies - Sale of Assets**  
**Projected Statement of Cash Flow to September 30, 2011**  
(\$Canadian, Unaudited)

	<b>Notes</b>	<b>Actual to from Mar 4 to Mar 18</b>	25-Mar	April	May	June	July	August	September	Total
<i>Receipts</i>		-		-	-	-	-	-	-	-
Bromont	17	-	-	100,000	100,000	100,000	100,000	100,000	-	500,000
Legend at Creekbend	18	-	-	250,000	-	-	-	-	-	250,000
AVIVA Holdback	19	-	-	-	-	-	250,000	-	-	250,000
<b>Total Receipts</b>		-	-	350,000	100,000	100,000	350,000	100,000	-	1,000,000

**Medican Group of Companies - Head office overhead costs**  
**Projected Statement of Cash Flow to September 30, 2011**  
(\$Canadian, Unaudited)

	Notes	Actual to from Mar 4 to Mar 18	25-Mar	April	May	June	July	August	September	Total
<i>Disbursements</i>										
Overhead costs	20	67,827	2,741	73,579	25,535	25,535	28,675	24,675	29,175	277,742
Preauthorized Payments		20,224	16,687	79,187	32,088	50,815	58,130	53,145	75,972	386,246
Payroll - Salary	21	115,286	-	117,000	110,000	110,000	110,000	110,000	165,000	837,286
Payroll - Subcontractors		49,160	-	50,000	50,000	50,000	50,000	50,000	50,000	349,160
Remittances	21	48,632	48,557	44,789	10,000	10,000	10,000	10,000	10,000	191,978
Expense reports	22	13,837	-	10,000	10,000	10,000	10,000	10,000	15,000	78,837
Accounting		6,615	-	-	10,000	20,000	20,000	20,000	10,000	86,615
WCB		-	-	40,650	-	33,000	40,650	-	-	114,300
Benefits - GWL/LL		-	-	16,309	16,500	16,500	16,500	16,500	33,000	115,309
Paragon interest	23	48,000	-	-	-	-	-	-	-	48,000
Service Charges		626	-	1,000	1,000	1,000	1,000	1,000	2,000	7,626
<b>Total Disbursements</b>		<b>370,206</b>	<b>67,985</b>	<b>432,514</b>	<b>265,123</b>	<b>326,850</b>	<b>344,955</b>	<b>295,320</b>	<b>390,147</b>	<b>2,493,099</b>

**Medican Group of Companies****Notes to the Consolidated Projected Statement of Cash Flow to September 30, 2011**(\$Canadian, Unaudited)

---

1. See Appendix "D1".
2. See Appendix "D2".
3. Concrete operations have been removed from the Consolidated Projected Statement of Cash flow. Going forward Concrete will operate on its own and pay its own expenses. Receipts of \$55,591 will be collected to repay Construction for expenses paid on behalf of Concrete.
4. Transfers to Construction as a result of excess funds in related companies' bank accounts.
5. Represents miscellaneous refunds from utilities and WCB.
6. See Appendix "D3".
7. Estimated draw on the Edgewood Brooks project. The project has been substantially completed and future draws are expected to be minimal.
8. Estimated draw on work performed.
9. The Extencare funds relate to Lethbridge and Edmonton cost plus projects. The Lethbridge project is substantially completed with minor work required, and the Edmonton project is expected to be completed by August 2011.
10. Medican Group employees have been contracted to work on certain projects. Medican Group invoices the hours worked by the employee at a markup.
11. Amounts to cover Unit marketing and administration costs associated with marketing the Sanderson Units.
12. Estimated payroll costs and reimbursement of expenses based on current employee/subcontractor complement.
13. Estimated.
14. GST collected and remitted to CRA has been excluded from receipts and disbursements as it does not impact Medican Group's cash flow position.
15. Payments to Trades and Suppliers. These payments are recovered when accounts receivable are collected.
16. Payments to Trades and Suppliers. These costs will be recovered from the proceeds of the sale of the unit. As a result, future costs have not been included.
17. Funds available to Medican Group from the equity in Bromont units. The secured creditor has been paid in full.
18. Fund to be received upon closing the sale of the Legend Project.
19. Funds are expected to be available to Medican Group in July 2011.
20. Overhead costs include office related costs including utilities, office supplies, and IT support.
21. Projected. Includes employee CPP, EI, and taxes to be remitted to CRA. The employer portion of the remittances has been recorded separately.
22. Estimated employee expense reimbursements in connection with employment.
23. The DIP facility provided by Paragon is expected to be repaid by March 31, 2011 eliminating interest payments.



**Medican Group of Companies**  
**Priority Charge Coverage**  
**As at March 24, 2011**  
(\$Canadian, Unaudited)

<b>Property/Project</b>	<b>Estimated Land Value</b>	<b>Priority Charge Coverage Estimate</b>	<b>Funds Held Mar 24, 2011</b>
Terwilliger			
Phase 1	-	605,000	357,000
Phase 2 and 3	3,440,000	172,000	172,000
	<u>3,440,000</u>	<u>777,000</u>	<u>529,000</u>
Canvas at Millrise			
Phase 1 and 2	-	93,500	25,500
Phase 3 and 4	-	306,000	348,500
		<u>399,500</u>	<u>374,000</u>
Kaleido			
Phase 1	-	405,000	-
Remaining Land/Phase 2 and 3	7,700,000	385,000	-
	<u>7,700,000</u>	<u>790,000</u>	<u>-</u>
Legend at Creekbend			
Phase 2	-	400,000	374,000
Phase 3	1,000,000	260,000	-
	<u>1,000,000</u>	<u>660,000</u>	<u>374,000</u>
Sanderson			
Phase 1 and 2	-	357,000	76,500
Phase 3	3,725,000	186,250	186,250
Phase 4A	-	170,000	76,500
Phase 4B	2,175,000	108,750	108,750
Church lands	3,200,000	160,000	160,000
	<u>9,100,000</u>	<u>982,000</u>	<u>608,000</u>
Riverstone			
Phase 1	-	42,500	6,825
Phase 2 and 3	770,000	38,500	-
	<u>770,000</u>	<u>81,000</u>	<u>6,825</u>
Axxess Sylvan Lake			
Phase 1	-	8,500	-
Phase 2 and 3	690,000	34,500	34,500
	<u>690,000</u>	<u>43,000</u>	<u>34,500</u>
Michener			
Offer to finance	-	200,000	200,000

**Medican Group of Companies**  
**Priority Charge Coverage**  
**As at March 24, 2011**  
(\$Canadian, Unaudited)

	<u>Estimated Land Value</u>	<u>Priority Charge Coverage Estimate</u>	<u>Funds Held Mar 24, 2011</u>
Cimmaron			
All phases	5,900,000	295,000	295,000
Sitara			
Phase 1	-	34,000	-
Lot C - Sonata Ridge	5,900,000	295,000	-
Bromont			
Condo units	-	152,000	63,500
Equity	-	1,500,000	-
		<u>1,652,000</u>	<u>63,500</u>
Diepert Land			
Purchase	-	260,000	-
Move Centre	1,500,000	75,000	57,500
R7			
Lands	250,000	12,500	-
Sale to Kornelson	-	-	3,978
Sale to Cypress College	-	-	23,000
Sale to Lampard	-	-	19,500
Sale to Skinstad	-	-	17,350
Sale of Saamis Dr. NW	-	-	5,625
	<u>250,000</u>	<u>12,500</u>	<u>69,453</u>
Medican (Sylvan Lake) Developments	-	-	55,586
Axxess Grande Prairie	-	93,500	17,000
Medican (Westbank) Development	-	-	7,500
Estate of Valleydale Development	-	-	14,108
Homes by Kingsland	-	-	17,000
Masterpiece account receivable	-	1,000,000	-
	<u><u>36,250,000</u></u>	<u><u>7,649,500</u></u>	<u><u>2,722,972</u></u>