

Action No.: 1001-07852
Deponent: Tyrone Schneider
Date Sworn: June 24, 2010

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

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

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

The Petitioners

AFFIDAVIT

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

Introduction

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

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

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

3. I swear this Affidavit in support of the Notice of Motion served by the Medican Group in these proceedings on June 23, 2010 (the "Motion") for an Order, substantially in the form as attached as Schedule "A" to the Motion, approving the financing agreement among the Medican Group and MCAP Financial Corporation ("MCAP") outlined in the MCAP Loan Amendment (as herein defined) and the granting of the MCAP Charge (as herein defined).

The Legend Project

4. The Legend at Creek Bend (the "Legend Project") is a Development Project that comprises a three phase condominium development project located in Winnipeg, Manitoba. The Legend (Winnipeg) Developments Ltd. is the owner of the subject lands, the proposed Developer, and the primary borrower for the Legend Project.

5. Phase I of the Legend Project is completed, and all units in Phase I of the Legend Project have been sold. The management and ownership of Phase I was transferred to a condominium association.

6. The Medican Group has construction and development approvals for Phases II and III of the Legend Project. Phases II and III will consist of 56 units each.

7. A total of 48 units in Phase II and 5 units in Phase III have been pre-sold. The Medican Group has collected deposits of approximately \$650,000 related to these pre-sales. The majority of the deposits were not held in trust and have been used by the Medican Group to fund operations.

8. Construction of Phase II is substantially completed. Construction on Phase III has not commenced as the general practice of lenders is to require 65% to 85% of units to be pre-sold before advancing construction funding.

9. The Medican Group will require approximately \$1.85 million in additional funding to complete the construction of Phase II, which the Medican Group anticipates will be funded pursuant to the MCAP Loan Amendment discussed below.

The MCAP Loan Amendment and the MCAP Charge

10. The Medican Group, with the assistance of the Monitor, entered into a commitment letter with MCAP, dated June 16, 2010, wherein MCAP has agreed to finance the construction of the Legend at Creek Bend, a copy of which is attached hereto and marked as Exhibit "A" to this my Affidavit (the "MCAP Loan Amendment").

11. It is a term of the MCAP Loan Amendment, that MCAP be granted a charge over the property of the Legend Project (the "MCAP Charge") in priority to the DIP Lender's Charge, the Administration Charge and the Directors' Charge as security for the additional funding. In addition, the terms of the MCAP Loan Amendment contemplates that the sale proceeds from the units of the Legend Project are to be held or distributed in the priority as follows:

- (a) to repay to MCAP the monies advanced by MCAP under the MCAP Loan Amendment to complete construction of Phase II of the Legend Project;
- (b) upon repayment of all monies advanced by MCAP under the MCAP Loan Amendment, the sum of \$8,500 from each condominium sale, to a maximum aggregate amount of \$400,000, will be paid to Fraser Milner Casgrain LLP, the solicitors for the Medican Group, and held in a separate trust account for the benefit of the holders of the DIP Lender's Charge, the Administration Charge and the Directors' Charge;
- (c) from each condominium unit of the Project sold, funds will be paid to MCAP to reduce the outstanding principal, interest and fees owing pursuant to the existing security granted to MCAP as against the Legend Project;
- (d) the sum of \$2,000 from each condominium sale will be paid to FMC and held in a separate trust account, pending determination of the priority charge of Michael Shawn Carry;

- (e) the balance of the funds, if any, will be paid in favour of valid and enforceable security interests against the Legend Project, in accordance with their lawful priority; and
- (f) once all valid and enforceable charges against the Project are paid, the remaining sales proceeds, if any, will be paid to Fraser Milner Casgrain LLP, to be held in trust until further Order of this Court.

12. The MCAP Charge was the subject of extensive negotiations and is a provision that was critical to MCAP in order to provide its commitment to continue to advance funds pursuant to the MCAP Loan Amendment. The MCAP Charge is limited to the Legend Project, and will not prejudice the other stakeholders of the Medican Group. Accordingly, the Medican Group is seeking an Order granting the MCAP Charge, as discussed above.

13. The proposed funding by MCAP is necessary to complete the Legend Project for the benefit of the Medican Group's stakeholders. Moreover, the proposed funding provides certainty with respect to the Medican Group's completion of the Legend Project, including providing encouragement to its customers and stakeholders that viable Development Projects can be completed while the Medican Group restructures its affairs. I am advised by counsel, and do verily believe, that all of the parties with secured claims against the Legend Project consent to the arrangement outlined in the MCAP Loan Amendment.

14. Advances pursuant to the MCAP Loan Amendment are to be advanced on the same terms that were negotiated in a competitive financial environment prior to the Medican Group being subject to these proceedings. These terms are acceptable to the Medican Group, and in the best interests of the Medican Group's stakeholders. Further, I have been informed by the Monitor that it supports this proposed financing arrangement with MCAP. I have reviewed the Monitor's Second Report and agree with its contents.

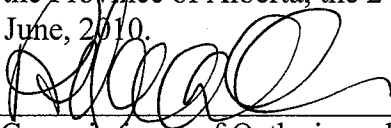
15. The Medican Group has been in discussions with Paragon Capital Corporation Ltd. ("Paragon"), the DIP Lender in these proceedings, and Paragon has consented to the MCAP Charge. I have been informed by the Medican Group's counsel, and do verily believe, that the

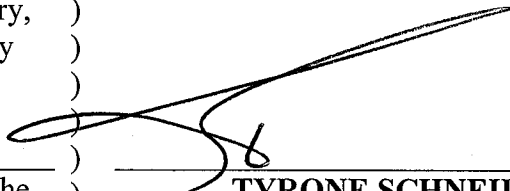
beneficiaries of the Administration Charge and the Director's Charge consent to the MCAP Charge.

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

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

Sworn before me in the City of Calgary,)
in the Province of Alberta, the 24th day)
of June, 2010.)


_____)
A Commissioner of Oaths in and for the)
Province of Alberta)
Rebecca Lewis)
Barrister & Solicitor)


_____)
TYRONE SCHNEIDER

JUN 17 2010

Our File Number: 267783/HAG

Howard A. Gorman

Partner

Direct Line: (403) 267-8144

E-mail: howard.gorman@macleoddixon.com

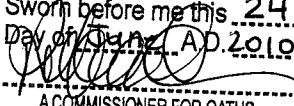
Roberta Savard

Assistant

Direct Line: (403) 267-8194

Email: roberta.savard@macleoddixon.com

June 16, 2010

THIS IS EXHIBIT "A"
referred to in the Affidavit of
Tyrone Schneider
Sworn before me this 24
Day of June, A.D. 2010

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

Via Email (david.norton@mcap.com)

MCAP Financial Corporation
1400-1140 West Pender Street
Vancouver, BC V6E 4G1

Rebecca Lewis
Barrister & Solicitor

Attention: Mr. David Norton, Vice President, Real Estate

Dear Sir:

**Re: Medican Group of Companies
The Legend (Winnipeg) Developments Ltd.
Alberta Court of Queen's Bench Action No. 1001 - 07852**

We are the solicitors for RSM Richter Inc., Monitor of Medican Holdings Ltd., and the property thereof, appointed pursuant to the (Canada) and an Initial Order (the "**Order**") of the Court of Queen's Bench of Alberta (the "**Court**") dated May 26, 2010.

This letter amends and restates our letter to you dated June 7, 2010.

The Court granted an Order (Stay Extension) dated June 11, 2010.

Below you will find the proposal of the Monitor and The Legend (Winnipeg) Developments Ltd. ("**Developer**") in respect of financing by MCAP Financial Corporation ("**MCAP**") for the project being developed in Winnipeg, Manitoba by Developer and commonly known as The Legend at Creek Bend (the "**Project**"), which proposal remains subject to the approval of the Court.

If the following is acceptable to MCAP, please execute below and return a signed copy of this letter to the writer. Developer will bring an application to obtain approval of the Court (the "**MCAP Order**") as soon as possible upon MCAP executing and returning to the writer a copy of this letter.

1. MCAP will advance the required draws requested by Developer in the required amounts pursuant to mortgage loan commitment letter dated October 27, 2008, as amended by amending letter dated March 16, 2010, a renewal letter dated May 12, 2010 (collectively, the "**Commitment**") and the terms hereof, to a maximum principal amount of one million, eight hundred fifty-three thousand dollars (\$1,853,000) plus interest thereon at the rate charged pursuant to the existing

security granted to MCAP as against the Project, hereinafter referred to collectively as the "Draws".

2. MCAP will be provided a super priority in respect of the Project for the Draws ranking ahead of the existing debtor in possession financing charge.
3. Net Closing Proceeds (as defined in the Commitment) from the units of the Project will be distributed as follows:
 - (a) firstly, in repayment of the Draws;
 - (b) secondly, upon repayment of the Draws, the sum of eight thousand, five hundred dollars (\$8,500) from each condominium unit of the Project sold, to a maximum aggregate amount of four hundred thousand dollars (\$400,000), will be paid to Fraser Milner Casgrain LLP, the solicitors for Developer, ("FMC") and held in a separate trust account pursuant to the Order and the MCAP Order in respect of the priority charges as stated in the Order;
 - (c) thirdly, from each condominium unit of the Project sold, funds will be paid to MCAP to reduce the outstanding principal, interest and fees owing pursuant to the existing security granted to MCAP as against the Project;
 - (d) fourthly, the sum of two thousand dollars (\$2,000) will be paid to FMC and held in a separate trust account, pursuant to the Order and the MCAP Order, pending determination of the priority charge of Michael Shawn Carry pursuant to an equitable mortgage registered against title to the Project by way of Manitoba Caveat No. 3403622;
 - (e) fifthly, the balance of the funds will be paid in favour of the valid and enforceable charges against the Project, in accordance with their lawful priority; and
 - (f) lastly, once all valid and enforceable charges against the Project are paid, the remaining funds will be held in trust by FMC until further order of the Court.

MACLEOD DIXON LLP

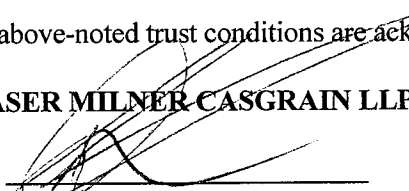


Howard A. Gorman

cc: RSM Richter Inc. (Attention: Bob Taylor) - via email (btaylor@rsmrichter.com)
Kennedy Agrios LLP (Attention: Ron H. Haggett) - via email (rhaggett@kennedyagrios.com)
Taylor McCaffrey LLP (Attention: Timothy A. Kurbis) - via email (tkurbis@tmlawyers.com)
MacDonald Hanley (Attention: James G. Hanley) - via email (jhanley@macdonaldhanley.com)

The above-noted trust conditions are acknowledged and agreed to this 23rd day of June, 2010.

FRASER MILNER CASGRAIN LLP

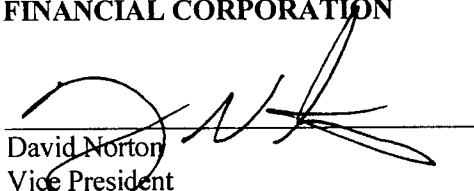
Per: 
David W. Mann

ACCEPTANCE

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, MCAP Financial Corporation and The Legend (Winnipeg) Developments Ltd. accept the above-noted terms.

MCAP FINANCIAL CORPORATION

Per:

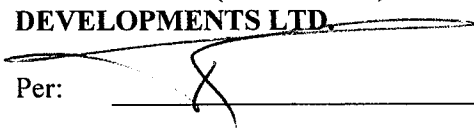

David Norton
Vice President

I have authority to bind the corporation

Dated this 16 day of June, 2010.

**THE LEGEND (WINNIPEG)
DEVELOPMENTS LTD.**

Per:


I have authority to bind the corporation

Dated this 24 day of June, 2010.

Action No. 1001-07852
Deponent: Tyrone Schneider
Date Sworn: June 24, 2010

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

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

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

The Petitioners

AFFIDAVIT

FRASER MILNER CASGRAIN LLP

Barristers and Solicitors
15th Floor Bankers Court
850 2 Street SW
Calgary, Alberta T2P 0R8

Solicitors: David W. Mann/Rebecca L. Lewis
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