

Medican granted CCAA stay; court approves restructuring plan

CALGARY – Court of Queen’s Bench Justice K.M. Horner approved an extension of Medican’s protection under the Companies’ Creditors Arrangement Act Thursday to September 30, 2011.

The extension is to allow RMS Richter, the court appointed monitor of the Medicine Hat-based land developer and general contractor, and the company’s Chief Restructuring Office Tyrone Schneider time to develop a successor company and conclude negotiations with respect to outstanding claims.

Medican entered CCAA protection on May 26, 2010. At the time, the company owed in excess of \$120 million to financial institutions and other financiers. It owed more than \$25 million to trades and vendors, as well as \$35 million in unsecured loans.

In the intervening year and a half, CRO Schneider says that he and the monitor have been working at ensuring all stakeholders are being dealt with fairly.

“This was unquestionably one of the more complicated jobs I could have taken on,” says Schneider. “The complexity of the operation, the multitude of affiliated companies and the cross collateralization made it doubly difficult. But CCAA protection gives a company a second chance. In this case, we saw that the assets either owned or controlled by Medican were valuable enough to make restructuring worthwhile.”

Court heard Thursday that Medican has repaid \$87 million to secured creditors since it entered CCAA protection through the sale and liquidation of assets.

Court was also told that a settlement with Calgary-based Live Well with respect to monies lent Medican was secured through the sale of properties in Medicine Hat.

Medican plans to canvas its remaining creditors and stakeholders in the coming weeks and return to court September 30 with a formal plan based on the feedback it receives.

Separate plans of arrangement will be filed for the Calgary-based Sanderson Ridge development and the Kelowna-based Kaleido project.

Schneider says the restructuring plan will be to create a successor company that is owned by employees.

“We’ve got positive cash flow now,” says Schneider. “We’ve paid off our DIP (debtor in possession) loan and we’re in the process of finalizing payments to creditors.”

What will emerge is a new employee-owned company, says Schneider.

“That’s only option that makes any kind of sense,” he says. “Any company is only as good as its employees. This will give everyone here a stake in the future and make Medican viable.”

The new consolidated plan, says Schneider, will provide for a fund of no less than \$10 million which will be available for distribution to creditors over the next three years once the company has emerged from CCAA protection.

The new company, says Schneider, will have none of the previous management, with the exception of its legal counsel. Wes Reinheller, who founded the company in 1974, will no longer have a stake in the company and will be retained as commissioned development consultant only.

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