

Medican – what a difference a year makes

MEDICINE HAT – In the space of less than a year, Medican Construction has gone from teetering on the edge of financial ruin to having its feet planted firmly on a solid fiscal foundation.

It was in May of 2010 that Medican voluntarily filed for protection under the Companies Creditors Arrangement Act (CCAA).

At that time, Medican owed in excess of \$220 million to financial institutions and other financiers. It owed more than \$25 million to trades and vendors, and \$35 million in unsecured loans. The company also owed millions to the Canada Revenue Agency and hundreds of thousands of dollars to various municipal governments.

Medican was on the verge of being pushed into the abyss of receivership as a number of loans were being called in for failure to make payments.

It was a far cry from heady days of 2007. At that time, the company (which has operated since 1974) had 17 projects on the go across the country, assets in excess of \$200 million. It was generating revenues of \$55 million annually and paying out handsome bonuses.

A combination of mismanagement, bad business decisions and a collapsing real estate market created a perfect financial storm that Medican could not weather and a petition to grant a CCAA order was filed in Calgary's Court of Queen's Bench.

Madame Justice K.M. Horner appointed Calgary-based accounting firm RSM Richter to act as "Monitor" and Medicine Hat-based businessman Ty Schneider was appointed Chief Restructuring Officer (CRO).

"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."

As CRO, Schneider was tasked with restructuring the company and ensuring that stakeholders were treated fairly.

"CCAA protection gives a company a second chance," says Schneider. "In this case, we saw that the assets either owned or controlled by Medican were valuable enough to make restructuring worthwhile."

Over the course of past year, Schneider has reduced staff, cut expenses, secured additional funding, entered into partnerships with other companies and found additional work for the company. A total of over \$175 million in work and asset sales was achieved, bringing Medican to the position it is today.

"The goal," says Schneider, "was to revive projects, get the trades paid and ensure that lenders were fairly treated. We wanted a working company at the end of this process."

"It was important," adds Schneider, "to ensure that the company kept its employees. They will form the nucleus of the new company coming out of CCAA. Medican is a Medicine Hat Company with deep roots

and it's a company with many employees making their homes in our city. It's important to keep these good paying jobs here and to ensure our local trades are looked after."

That goal has largely been achieved. Medican returned to court on March 31, 2011 and was granted an extension of its CCAA protection until May 31, 2011.

"We've got positive cash flow now," says Schneider. "We've paid off our \$3.5 million 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, one that maintains the Medican name and carries on a tradition of building the best homes for our customers," says Schneider. "That's the only option that makes any kind of sense. Any company is only as good as its employees. This will give everyone here a stake in the future and make Medican viable."

Schneider says employees debated what to call the new company, but all agreed that the Medican name was not a liability and was, in fact, an asset.

"The company was wounded, but we are on the mend -- and we will be strong again. All of the staff at Medican is proud of what we have accomplished as a team in so short a time," says Schneider.

Barring unforeseen obstacles, the new structure will be in place by July of this year and Medican will start a new journey with lessons well learned -- a new company built on a solid foundation.

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