

COURT FILE NUMBER 1501 – 00955  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
IN BANKRUPTCY AND INSOLVENCY  
JUDICIAL CENTER CALGARY

IN THE MATTER OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT, R.S.C.  
1985, C. c-36, as amended

APPLICANTS

LUTHERAN CHURCH – CANADA, THE  
ALBERTA-BRITISH COLUMBIA  
DISTRICT, ENCHARIS COMMUNITY  
HOUSING AND SERVICES, ENCHARIS  
MANAGEMENT AND SUPPORT  
SERVICES, AND LUTHERAN  
CHURCH-CANADA, THE ALBERTA-  
BRITISH COLUMBIA DISTRICT  
INVESTMENTS LTD.

DOCUMENT

**AFFIDAVIT OF SHARON SHERMAN**

ADDRESS FOR SERVICE  
AND CONTACT  
INFORMATION OF PARTY  
FILING THIS DOCUMENT

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Barrister and Solicitor  
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Edmonton, AB T5S 1T1  
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File No.: 156-2015AG

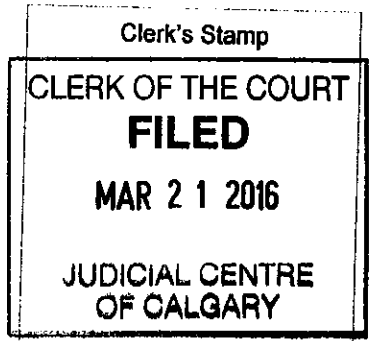
**AFFIDAVIT OF SHARON SHERMAN**

Sworn on March 19, 2016.

I, Sharon Sherman, of Edmonton, Alberta

SWEAR AND SAY THAT:

1. I am one of the Plaintiffs in a class proceeding commenced in Court of Queen's Bench of Alberta, Judicial District of Edmonton, Action Number 1603 – 03142. A copy of the Statement of Claim is attached as Exhibit "A" to the Affidavit of Marilyn Huber sworn February 24, 2016.



2. As stated in my Affidavit sworn March 1, 2016, mother Ruby Sherman made two CEF deposits. The first CEF deposit in the amount of \$75,000.00, was taken out in July, 2007. In October, 2007, my mother deposited a further \$220,286.00.
3. In October, 2008, I became a joint owner of my mother's two CEF accounts for the purpose of allowing me to assist my mother in handling her financial affairs. A copy of the "Change in Account Owners" is attached as Exhibit "D" to my Affidavit sworn March 1, 2016.
4. Last week my Mother and I received a letter dated February 26, 2016 from the Lutheran Church Canada Alberta British Columbia District. A copy of the letter is attached as **Exhibit "A"** to my Affidavit.
5. Attached to the letter is a document entitled "Summary of Tax Implications for District Depositors related to the District Plan." The document states, in part:

Pursuant to the District Plan, District Depositors will realize a capital loss upon the exchange of their proven claim for cash and NewCo shares to be distributed pursuant to the District Plan. The amount of that capital loss will be the amount of the District Depositor's proven claim which remains outstanding after all distributions (whether in the form of cash or NewCo Shares) have been made pursuant to the District Plan.
6. My mother and I are opposed to accepting shares in NewCo in exchange for any part of our claim.
7. The document attached to Pastor Schaeffer's letter created an impression in my mind that the District Plan was already a done deal. I know that the Plan has not been voted on, so I was surprised to see that the "Summary" gave no caveats or warnings that what was being said had yet to be approved.
8. I am concerned that many people will not understand the Summary and will believe that this represents the future.
9. Glenn Schaeffer's cover letter provides no qualifiers or conditions to the Summary.
10. I am opposed to the Application for a meeting order to vote on the District Plan unless there is full disclosure to the District Depositors of the following:
  - a. ABC District encouraged deposits in the CEF even though the District knew it was insolvent;
  - b. Deloitte is in a conflict of interest;
  - c. Mr. Taman, who is counsel for the CCAA Applicants, did not disclose his involvement in the Prince of Peace or Shepherd's Village transactions;





**LUTHERAN  
CHURCH CANADA**  
ALBERTA | BRITISH COLUMBIA DISTRICT

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780.474.0063 | Fax 780.479-3067 | [www.lccabc.ca](http://www.lccabc.ca)

February 26, 2016

Please find enclosed your T5, Statement of Investment Income, for 2015.

Please note, in some cases, your T5 may be higher than what was reported on your January 23, 2015 statement of claim that was provided to you by Deloitte. The reason for this difference is that your account(s) either paid interest directly to you on January 1, 2015 or compounded the interest between January 1 and 23, 2015.

If your T5 is lower than what was reported on your January 23, 2015 statement of claim that was provided to you by Deloitte, you have an account(s) that did not produce a T5 (under \$50 interest earned) but this earned interest is still reportable on your 2015 income tax return. The amount shown on your statement of claim should be used for reporting purposes.

Please find enclosed Schedule 4, "Summary of Tax Implications for District Depositors related to the District Plan", from the Deloitte Monitor's Fourteenth Report (pages 44 and 45, [www.insolvencies.deloitte.ca](http://www.insolvencies.deloitte.ca))

If you have any questions, please contact Cam Sherban, Chief Restructuring Officer, at 1-403-681-3608.

This is Exhibit "A" referred to in the  
Affidavit of  
Sharon Sherman  
Sworn before me this 19 day  
of March A.D., 2016  
[Signature]  
A Notary Public, A Commissioner for Oaths  
in and for the Province of Alberta

President  
Rev. Dr. Glenn Schaeffer  
[gschaeffer@lccabc.ca](mailto:gschaeffer@lccabc.ca)



## Summary of Tax Implications for District Depositors related to the District Plan

The following summary is based in part on a memorandum prepared by the Monitor's legal counsel with respect to the tax implications of the District Plan for District Depositors (the "Tax Opinion"). The Tax Opinion is attached as "Schedule 2" to the Monitor's Fourteenth Report, dated February 18, 2016 (the "Fourteenth Report"). Unless otherwise specified, capitalized terms shall have the meaning set out in the Tax Opinion or in the Fourteenth Report.

The Tax Opinion is only applicable to District Depositors who are or are deemed to be Canadian residents, who deal at arm's length and are not affiliated with the District and NewCo, who hold NewCo Shares as capital property, and who have not entered into a "derivative forward agreement", all for purposes of the *Income Tax Act (Canada)* and regulations thereto (the "Tax Act"). Where District Depositors are congregations, the Tax Opinion only applies to those congregations that are either registered charities or non-profit organizations that are exempt from tax under the Tax Act.

The Tax Opinion, and by extension this tax summary, are of a general nature only and are not, and are not intended to be, legal or tax advice to any particular District Depositor. They are not exhaustive of all Canadian federal income tax considerations. Accordingly, District Depositors should consult their own tax advisors having regard to their own particular circumstances and the Monitor's legal counsel takes no responsibility for parties that rely on the Tax Opinion.

### Reporting interest on investments for which T5 slips were issued

Interest payable as at January 23, 2015, the date that the Initial Order was granted in the CCAA proceedings (the "Filing Date"), was added to each District Depositor's account as at that date. The interest paid as at the Filing Date was for the period from the last date that interest was paid (including by being re-invested in an existing deposit) and the Filing Date. District Depositors who did not elect to waive the interest paid in 2015 pursuant to the Court-approved claims process will receive a T5 slip for 2015. As previously advised, no further interest has been accrued or paid following the Filing Date.

Where interest has been paid (including by being re-invested in an existing deposit) and a T5 slip has been issued, should a portion of the interest not be collectible upon the completion of the CCAA proceedings, District Depositors may be able to claim a bad debt deduction with respect to the amount of interest that was not collectible. They may also be able to claim a deduction for the entirety of the uncollectible interest as a bad debt now and then report as an Income Inclusion any interest that they receive in the future. As claims in the CCAA will be paid on a pro-rata basis based on the entirety of each District Depositor's Claim, a portion will be payable related to the principal balance and a portion will be payable related to interest. It

is recommended that each District Depositor seek independent tax advice in connection with any tax consequences or reporting requirements related to their investment.

#### Reporting gains or losses on the exchange of proven claims for cash and NewCo Shares

Pursuant to the District Plan, District Depositors will realize a capital loss upon the exchange of their proven claim for cash and NewCo Shares to be distributed pursuant to the District Plan. The amount of that capital loss will be the amount of the District Depositors' proven claim which remains outstanding after all distributions (whether in the form of cash or NewCo Shares) have been made pursuant to the District Plan.

#### Reporting future dividends from NewCo

Those District Depositors who become shareholders of NewCo may, in the future, receive income in the form of dividends (i.e. money paid to NewCo's Shareholders from its profits). The amount of any dividends will need to be included in the calculation of a Depositor's income for the corresponding tax year.

#### Reporting gains or losses on the disposition of NewCo Shares

Should a District Depositor, who becomes a NewCo shareholder, sell their NewCo Shares in the future, they may realize a capital gain or a capital loss on those NewCo Shares, depending on whether the amount that they sell the NewCo Shares for is below or above the adjusted cost base of the NewCo Shares immediately before they are sold.

#### Recoveries in the Representative Action

Those District Depositors who elect to participate in the Representative Action should seek independent tax advice with respect to reporting capital gains or reducing capital losses for amounts received pursuant to the Representative Action, as the reporting requirements will vary depending on the timing of when prior capital losses have been reported.