



COURT FILE NUMBER 1501-00955

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

DOCUMENT EIGHTH REPORT OF THE MONITOR

**IN THE MATTER OF THE COMPANIES CREDITORS'
ARRANGEMENT ACT, R.S.C. 1985 c. C-36 AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF LUTHERAN CHURCH – CANADA, THE
ALBERTA – BRITISH COLUMBIA DISTRICT, LUTHERAN
CHURCH – CANADA, THE ALBERTA – BRITISH COLUMBIA
DISTRICT INVESTMENTS LTD., ENCHARIS COMMUNITY
HOUSING AND SERVICES AND ENCHARIS MANAGEMENT
AND SUPPORT SERVICES**

DATED OCTOBER 30, 2015

**ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT**

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Introduction and Notice to Reader

Introduction

1. On January 23, 2015, Lutheran Church – Canada, the Alberta – British Columbia District (the “District”), Encharis Community Housing and Services (“ECHS”), Encharis Management and Support Services (“EMSS”) and Lutheran Church – Canada, the Alberta – British Columbia District Investments Ltd. (“DIL”, collectively the “Applicants” or the “District Group”) obtained an Initial Order (the “Initial Order”) from the Court of Queen’s Bench of Alberta (the “Court”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”). Deloitte Restructuring Inc. (“Deloitte”) was appointed as Monitor (the “Monitor”) in the CCAA proceedings.
2. For clarity, the District includes the Church Extension Fund (“CEF”), which was originally created to allow District members to loan their money and earn interest in faith-based developments. CEF was operated under the purview of the District’s Department of Stewardship and Financial Ministries and was not created as a separate legal entity. As such, depositors to CEF are creditors of the District (the “District Depositors”). Depositors to DIL will be referred to as the “DIL Depositors”. The District Depositors and the DIL Depositors will collectively be referred to as the “Depositors”.
3. The Initial Order provided for an initial stay of proceedings (the “Stay”) until February 20, 2015. The Court has now granted five extensions of the Stay. The most recent Order was granted at an application on October 23, 2015 (the “October 23 Hearing”) and extended the Stay until January 29, 2016 (the “Extension”).
4. Prior to the Initial Order being granted, Deloitte prepared a Pre-Filing Report of the Proposed Monitor dated January 22, 2015. The Monitor subsequently filed the First Report of the Monitor dated February 17, 2015, the second report of the Monitor dated March 23, 2015 (the “Second Report”), the Third Report of the Monitor dated June 16, 2015, the Fourth Report of the Monitor dated June 24, 2015 (the “Fourth Report”), the Fifth Report of the Monitor dated August 24, 2015 (the “Fifth Report”), the Sixth Report of the Monitor dated September 9, 2015 and the Seventh Report of the Monitor dated October 20, 2015 (the “Seventh Report”, collectively the “Reports”). The Monitor also filed a confidential supplement to the Second Report dated March 25, 2015, a confidential supplement to the Fourth Report dated June 25, 2015 and a confidential supplement to the Fifth Report dated August 26, 2015 (collectively the “Supplements”). The Supplements provided the Court with additional detail with respect to the District Group’s applications for the approval of the sales of six parcels of land (the “Sale Lands”). The Supplements were sealed by the Court in order to avoid tainting any future sale

processes that would be required if any of the transactions involving the Sale Lands failed to be completed.

5. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Reports and in the Supplements.
6. Information on the CCAA proceedings can be accessed on Deloitte's website at www.insolvencies.deloitte.ca under the link entitled "Lutheran Church – Canada, the Alberta – British Columbia District et. al." (the "Monitor's Website").

Notice to Reader

7. In preparing this report, the Monitor has relied on unaudited financial information, the books and records of the Applicants and discussions with the Applicant's employees, the Applicant's Chief Restructuring Officer, interested parties and stakeholders. The Monitor has not performed an independent review or audit of the information provided.
8. The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this report.
9. All amounts included herein are in Canadian dollars unless otherwise stated.

Court Applications

10. The activities of both the Monitor and the Applicants leading up to the October 23 Hearing are detailed in the Reports.
11. At the October 23 Hearing, this Honourable Court approved the Extension. The District Group had made a further application at the October 23 Hearing for Orders (the “Meeting Orders”) authorizing and directing both ECHS and EMSS to present their plans of compromise and arrangement (respectively, the “ECHS Plan” and the “EMSS Plan”, collectively, the “Encharis Plans”) to their respective creditors for approval (the “Encharis Application”). The Encharis Application was adjourned to a hearing on November 5, 2015 (the “November 5 Hearing”).
12. In addition to the Encharis Application, at the November 5 Hearing, the District Group will be making further applications to this Honourable Court seeking the following relief:
 - 12.1. Approval for the sale of the District’s head office (the “District Office”), which is legally described as follows:

PLAN 8722543
BLOCK C
EXCEPTING THEREOUT ALL MINES AND MINERALS;
 - 12.2. Approval for the transfer of a building occupied by Concordia Lutheran Church (“Concordia”) and the leasehold interest on the lands (collectively, the “Concordia Leasehold”) and the assignment of the corresponding lease to Concordia upon repayment of their outstanding indebtedness to the District. The Concordia Leasehold is legally described as follows:

PLAN 7721180
BLOCK 8
LOT 19
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 0.547 HECTARES (1.35 ACRES) MORE OR LESS
ESTATE: LEASEHOLD, FOR A TERM OF 50 YEARS COMMENCING ON THE 1ST DAY OF JULY 1980;
 - 12.3. Sealing the Confidential Affidavit of Cameron Sherban sworn on October 23, 2015 (the “Confidential Affidavit”), which contains specific information related to the sale of the District Office and the transfer of the Concordia Leasehold in order to avoid tainting any future sale processes that may be required should the sale of the District Office (the “District Office Transaction”) or the Concordia Settlement (as defined herein) fail to be completed;

- 12.4. Approving the return of approximately \$159,070 to District Depositors who had funds withdrawn by electronic funds transfer (the “EFT(s)”) between March 2014 and the date of the Initial Order (the “Pre-CCAA EFT(s)”); and
- 12.5. Amending the Order granted on August 28, 2015 related to the DIL Distribution (the “Distribution Order”) such that DIL Depositors who hold registered retirement income fund accounts (“RRIFs”) and locked-in income fund accounts (“LIFs”) can transfer their pro-rata share of the DIL Distribution to an alternative investment fund of their choosing and further amending the Distribution Order to correct the definition of “Pro-rata Share” included therein (the “Distribution Amendments”).

The Encharis Plans

Amendments to the Encharis Plans

13. At the time of the Seventh Report, certain revisions were still being made to the Encharis Plans. The Applicants are filing amended versions of the Encharis Plans dated October 30, 2015 (the “Amended Encharis Plans”). The Monitor reports as follows with respect to the amendments included therein (the “Amendments”):

- 13.1. Selected definitions have been added or amended to clarify certain aspects of the Encharis Plans and incorporate comments received by various stakeholders, including legal counsel for the creditors’ committees established for each of the District and DIL (respectively, the “District Committee” and the “DIL Committee”, collectively, the “Committees”). Several definitions were added related to the claims against the former directors, officers, trustees, employees, volunteers or members of duly constituted committees of each of ECHS and EMSS, the directors’ and officers’ insurance held by each of ECHS and EMSS (the “D&O Insurance”) and any claims, which may be covered by the D&O Insurance;
- 13.2. Wording was added to the ECHS Plan to clarify the treatment of the proven claims filed by the other Applicants against ECHS (the “Related Creditor Claim(s)”) under the ECHS Plan. The Related Creditor Claims are unaffected by the ECHS Plan, however, a portion of the Related Creditor Claim of the District will be deemed paid pursuant to the ECHS Plan and the District’s plan of compromise and arrangement (the “District Plan”). This deemed payment results from the transfer of selected properties within the Prince of Peace development, including the Harbour and Manor seniors’ care facilities and the surrounding expansion and development lands, to a new company from which shares will be issued to District Depositors;
- 13.3. Wording was added to clarify the disposition of a residential lot (the “Residential Lot”) owned by ECHS within the Prince of Peace Development, which is secured by two registered mortgages held by Concentra Trust and administered by DIL. The Residential Lot will be disposed of for the benefit of DIL for inclusion in DIL’s plan of compromise and arrangement (the “DIL Plan”);
- 13.4. Wording was added to the articles of the Encharis Plans entitled “General Releases” and “Limitation on Releases” (the “Plan Releases”) to clarify the following:
 - 13.4.1. There are no releases for co-obligators, any person who is not specifically released by the Plan Releases, joint obligators, or any person who is jointly or severally liable

with a released party (collectively the “Non-Released Parties”) and those creditors who are affected by the Encharis Plans retain the right to sue the Non-Released Parties;

- 13.4.2. There are no releases for any claims advanced pursuant to a legal action or actions undertaken in respect of the Representative Action Claims, as that term is defined in the District Plan and the DIL Plan, which action may be advanced as a class proceeding for those Depositors who elect to participate; and
- 13.4.3. The limitations on the ability of the Applicant’s D&O Insurance providers to rely on the Plan Releases.

14. The Monitor is satisfied with the Amendments, none of which affect their view that the Encharis Plans are fair and reasonable and appear to be in the best interest of all parties as further set out in the Seventh Report.

The Meeting Orders

15. Based on the adjournment of the Encharis Application to the November 5 Hearing, the timelines set out in the Meeting Orders have now been amended as follows:

15.1. The following time and place has been set out for the ECHS’ creditors’ meeting:

Time: Friday, December 11, 2015 at 11:00 a.m.

Location: Gowling Lafleur Henderson LLP, 1600 – 421 7th Avenue SW, Calgary.

15.2. The following time and place has been set out for the EMSS creditors’ meeting:

Time: Friday, December 11, 2015 at 10:00 a.m.

Location: Gowling Lafleur Henderson LLP, 1600 – 421 7th Avenue SW, Calgary.

16. The notice requirements for the creditors of ECHS and EMSS have also been amended as follows:

16.1. The Monitor will post an information package, including the ECHS and EMSS Notices of Creditors’ Meeting, the Meeting Orders, a report issued by the Monitor, the time and place of the respective ECHS or EMSS Meetings and the form of proxy (the “Information Package”) on the Monitor’s Website by no later than November 10, 2015 and send the Information Package as soon as practicable and, in any event, not later than November 19, 2015 to each affected creditor with a proven claim or a disputed claim, which has not yet been settled, by regular mail, facsimile, courier or email to the last known address; and

16.2. Separate newspaper notices of the ECHS Meeting and the EMSS Meeting will be published once by the Monitor in the Globe and Mail National Edition as soon as practicable and no later than November 14, 2015.

The District Office

17. As reported above, the District is seeking Court approval at the November 5 Hearing for the District Office Transaction.
18. The District is the registered owner of the District Office and there are no mortgages or other encumbrances, other than permitted encumbrances, registered on title for the District Office. Attached as “Exhibit B” to the Affidavit of Cameron Sherban sworn on October 23, 2015 is a copy of the 2015 Property Assessment, which reflects an assessed value of approximately \$1.8 million for the District Office. Altus Group Limited also completed an appraisal on the District Office on April 2, 2015, which is attached as “Exhibit A” to the Confidential Affidavit.
19. The District entered into an Exclusive Listing Agreement for Sale dated June 24, 2015 (the “Colliers Agreement”) with Colliers MacCauley Nicolls Inc. (“Colliers”) with respect to the District Office. The Monitor understands that the District Office has been marketed by Colliers since that time. Pursuant to the Colliers’ Agreement, a commission of 3.0% of the gross sale proceeds was to be paid to Colliers upon the sale of the District Office.
20. Based upon the Monitor’s discussions with Colliers, we understand that the marketing of the District Head Office included the creation of a detailed property brochure, the distribution of an electronic marketing package, on-site signage, posting of information on Collier’s International property listings website and the provision of information to commercial real estate brokerages.
21. The District Office was listed for \$2.25 million. We are advised that the District Office was shown to six groups and that three offers were received in advance of the District accepting an Offer to Purchase and Interim Agreement on October 9, 2015 (the “District Office Offer”).
22. The District Office Offer is attached as “Exhibit B” to the Confidential Affidavit. The Monitor notes as follows with respect to the District Office Offer:
 - 22.1. The District Office Offer is subject to conditions including environmental and other inspections, financing, receipt of permits to allow the purchaser to operate a daycare and Court approval of the transaction contemplated therein (the “District Office Transaction”). The District Office Transaction has a condition date of December 15, 2015 and a closing date of January 15, 2016; and
 - 22.2. The proposed buyer has paid a deposit with respect to the District Office Transaction, which is being held in trust by Colliers (the “Deposit”). The amount of the purchase price contemplated

in the District Office Transaction and the amount of the Deposit are set out in the Confidential Affidavit.

23. The Monitor has reviewed the documents associated with the sale of the District Office Transaction, including the Colliers Agreement and the District Office Offer. The Monitor has also consulted with Deloitte's real estate advisory group ("Deloitte Real Estate") with respect to the District Office Transaction. Deloitte Real Estate has advised that, based on current market conditions, the District Office Transaction is commercially reasonable.
24. Based on the Monitor's review, it is satisfied that the District Office Transaction would be more beneficial to the District Depositors than a sale or disposition in a liquidation scenario. In addition, the District Office Transaction was approved by the District Committee.
25. The Monitor understands that the proceeds from the District Office Transaction will be held in trust for the purpose of being included in any plan of arrangement that is filed by the District.

The Concordia Lands and Building

26. Concordia is claiming an interest in the Concordia Leasehold, whether by way of a trust or other mechanism. In addition, Concordia expressed a desire to continue to operate out of their current location. As such, the Monitor was asked to review whether the repayment of the outstanding debt due from Concordia to the District the amount of which is further disclosed in the Confidential Affidavit (the “Concordia Loan”) should entitle Concordia to take ownership of the Concordia Leasehold (the “Concordia Settlement”). The Monitor reports as follows with respect to this review:

26.1. Concordia has been making regular required payments on the Concordia Loan and the Concordia Loan is in good standing;

26.2. Concordia may have a claim against the District on the basis of unjust enrichment and/or proprietary estoppel. If Concordia was successful in establishing either of these claims, they could be entitled to a constructive trust (likely for the use of the Concordia Leasehold) or for monetary damages. Concordia also asserted that the Concordia Loan and the leasehold arrangement between Concordia and the District constituted a mortgage. The Monitor was not provided with sufficient evidence to suggest that the intention was to establish a mortgagor/mortgagee relationship. Based on the potential merits of the claims being advanced by Concordia, however, the Monitor was of the view that a settlement with Concordia may be appropriate.

26.3. Colliers completed an evaluation of the marketability of the Concordia Leasehold dated October 5, 2015, which provided a short-term realization value (the “Concordia Evaluation”). A copy of the Concordia Evaluation is attached as “Exhibit E” to the Confidential Affidavit. Deloitte Real Estate reviewed and subsequently indicated that they were satisfied with the Concordia Evaluation.

26.4. The Concordia Settlement is conditional on the City of Edmonton, who is the fee simple owner of the lands that are subject to the Concordia Leasehold, agreeing to the assignment of the corresponding lease.

27. Based on their review, the Monitor is supportive of the Concordia Settlement based on the following:

27.1. The time involved in completing a further sale process;

27.2. Concordia’s potential claims against the Concordia Leasehold; and

27.3. The short-term realization value assigned to the Concordia Leasehold.

28. The Concordia Settlement has been approved by the District Committee.

The Pre-CCAA EFTs

29. As outlined in the First Report, CEF ceased taking new deposits in March 2014. This practice was implemented as a result of concerns regarding the solvency of CEF but was not extended to electronic funds transfers (“EFTs”). The Monitor previously reported that, between March 2014 and the Filing Date, Management had continued to accept deposits totalling \$150,535 via EFTs. Upon further review of their records, the District subsequently amended these numbers to reflect that, between March 2014 and the Filing Date, deposits totalling \$159,070 had been accepted via EFTs (defined above as the “Pre-CCAA EFTs”).
30. The Monitor is supportive of the return of the Pre-CCAA EFTs for the following reasons:
- 30.1. As CEF had placed a moratorium on deposits effective March 1, 2014 which was applied to all District Depositors, except for those who were making monthly deposits via EFT, the return of the Pre-CCAA EFTs will result in more equitable treatment of District Depositors; and
 - 30.2. The Monitor has consulted with the District Committee, who has approved the return of Pre-CCAA EFTs.

The Distribution Amendments

31. As reported above, at the November 5 Hearing, the District is seeking approval for the following two amendments to the Distribution Order:

31.1. Amending the Distribution Order such that DIL Depositors who hold RRIFs and LIFs can transfer their pro-rata share of the DIL Distribution to an alternative investment fund of their choosing (the “RRIF Amendment”). The Monitor notes as follows with respect to the RRIF Amendment:

31.1.1. Originally the Distribution Order specified that all amounts payable pursuant to the DIL Distribution were to be paid to Great-West Life Assurance Company (“GWL”) and would be distributed to DIL Depositors through accounts in new registered plans established with GWL;

31.1.2. At the time of the Monitor’s Seventh Report, GWL had advised that they were experiencing some technical issues related to their software system for RRIFs and LIFs, which could result in delays in them being able to transfer funds into RRIF and LIF accounts. GWL subsequently advised that they were unable to correct these technical issues and would be unable to accept transfers of RRIFs and LIFs until after January 1, 2016; and

31.1.3. In order to allow those DIL Depositors who hold RRIFs and LIFs to access their pro-rata share of the DIL Distribution in a timely manner consistent with other DIL Depositors, DIL is seeking the RRIF Amendment. For logistical reasons, future distributions pursuant to the DIL Plan will still be made to DIL Depositors, who hold RRIFs and LIFs through accounts established with GWL.

31.2. Further amending the Distribution Order to correct the definition of “Pro-rata Share” included therein. The purpose of this amendment is to reflect the fact that those DIL Depositors who had received statutory annual minimum payments (the “Minimum Payments”) and payments pursuant to the Applicant’s Emergency Fund, received these amounts as advances on amounts that would become available to them in the CCAA proceedings through the DIL Distribution and any future distribution from the DIL Plan. Taking into account the DIL Distribution, the Minimum Payments and the Emergency Payments, upon completion of the DIL Distribution, DIL Depositors will have received distributions representing approximately 41% of their investment amount as at the Filing Date without taking into account any estimated write-down on the value of their investments.

Conclusion

32. The Monitor believes that the Meeting Orders provide sufficient notice for the ECHS Meeting and the EMSS Meeting and the Monitor is prepared and able to fulfill the duties set out for the Monitor in the Meeting Orders. As such, the Monitor recommends that the Meeting Orders be approved.
33. The Monitor supports the Amended Encharis Plans and is of the opinion that the Amended Encharis Plans are fair and reasonable and appear to be in the general best interest of all parties, as outlined herein and in the Seventh Report.
34. The Monitor supports the District Group's application for approval of the sale of the District Office as described herein based on the following:
 - 34.1. The sales process appears to be reasonable in the circumstances;
 - 34.2. The District Office Transaction is commercially reasonable and may be more beneficial to the Applicant's creditors than a sale or disposition in a liquidation scenario;
 - 34.3. The sale proceeds will be held in trust, pending further Order of this Court, for the purpose of being included in the District's Plan; and
 - 34.4. The District Committee supports the District Office Transaction.
35. The Monitor supports the following additional relief sought by the Applicants, as further set out herein:
 - 35.1. The Concordia Settlement;
 - 35.2. The sealing of the Confidential Affidavit;
 - 35.3. The return of the Pre-CCAA EFTs; and
 - 35.4. The Distribution Amendments.

DELOITTE RESTRUCTURING INC.,
In its capacity as Court-appointed Monitor of
The Lutheran Church – Canada, The Alberta –
British Columbia District, Encharis Community
Housing and Services, Encharis Management
and Support Services and The Lutheran Church
– Canada, The Alberta – British Columbia
District Investments Ltd. and not in its personal
or corporate capacity



Jeff Keeble CA, CIRP, CBV
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