



COURT FILE NUMBER 1501-00955

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

DATED FEBRUARY 18, 2016

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

Counsel

Gowling Lafleur Henderson LLP
1600, 421 7th Avenue SW
Calgary, Alberta T2P 4K9
Attention: Jeffrey Oliver

Telephone/ Facsimile: 403-298-1000/ 403-263-9193
Email: Jeffrey.Oliver@gowlings.com

Monitor

Deloitte Restructuring Inc.
700 Bankers Court, 850 – 2nd Street SW
Calgary, AB T2P 0R8
Attention: Jeff Keeble & Vanessa Allen

Telephone/Facsimile: 403-298-5955/ 403-718-3681
Email: jkeeble@deloitte.ca & vanallen@deloitte.ca

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SCHEDULES

Schedule 1	Trade Creditors of the District
Schedule 2	NewCo Management Summary prepared by the District's Chief Restructuring Officer
Schedule 3	Memorandum prepared by Gowlings Lafleur Henderson LLP dated February 9, 2016
Schedule 4	Tax Summary prepared by Deloitte Restructuring Inc.

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 six extensions of the Stay. The most recent Order was granted at an application on January 20, 2016 and extended the Stay until April 29, 2016.
4. Prior to the Initial Order being granted, Deloitte prepared a Pre-Filing Report of the Proposed Monitor dated January 22, 2015 (the “Pre-Filing Report”). The Monitor subsequently filed the following reports:
 - 4.1. the First Report of the Monitor dated February 17, 2015;
 - 4.2. the Second Report of the Monitor dated March 23, 2015 (the “Second Report”);
 - 4.3. the Third Report of the Monitor dated June 16, 2015;
 - 4.4. the Fourth Report of the Monitor dated June 24, 2015 (the “Fourth Report”);
 - 4.5. the Fifth Report of the Monitor dated August 24, 2015 (the “Fifth Report”);
 - 4.6. the Sixth Report of the Monitor dated September 9, 2015;
 - 4.7. the Seventh Report of the Monitor dated October 20, 2015;
 - 4.8. the Eighth Report of the Monitor dated October 30, 2015;
 - 4.9. the Ninth Report of the Monitor dated November 26, 2015;

- 4.10. the Tenth Report of the Monitor dated December 22, 2015;
 - 4.11. the Eleventh Report of the Monitor dated January 11, 2016;
 - 4.12. the Twelfth Report of the Monitor dated January 27, 2016; and
 - 4.13. the Thirteenth Report of the Monitor dated February 4, 2016 (together with the Pre-Filing Report, the reports listed in 4.1 to 4.13 will collectively be referred to as the “Reports”).
5. 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.
 6. In addition to the Pre-Filing Report, the Reports and the Supplements, the Monitor prepared a First Report to the Creditors of ECHS and EMSS dated November 10, 2015 (the “Encharis Report”) and a First Report to the Creditors of DIL dated December 8, 2015 (the “DIL Report”). Both the Encharis Report and the DIL Report were prepared for the purpose of providing creditors of the corresponding entities with specific information related to the respective plans of compromise and arrangement for ECHS and EMSS (respectively the “ECHS Plan” and the “EMSS Plan”), as amended and for DIL, as amended.
 7. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Reports and in the Supplements.
 8. 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

9. 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.
10. 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.
11. All amounts included herein are in Canadian dollars unless otherwise stated.

Court Applications

12. The activities of both the Monitor and the Applicants leading up to the most recent Court application on February 8, 2016 (the “February 8 Hearing”) are detailed in the Reports.
13. At the February 8 Hearing, this Honourable Court granted Orders approving the following relief:
 - 13.1. Amending an Order granted on November 5, 2015 approving the sale of the District’s former head office (the “District Office”), which is legally described as follows:

PLAN 8722543
BLOCK C
EXCEPTING THEREOUT ALL MINES AND MINERALS

which amendment permitted the District to accept the amended terms of sale set out in an Amending Agreement dated January 8, 2016, which was attached to the Confidential Affidavit of Cameron Sherban sworn on January 29, 2016 (the “January Confidential Affidavit”); and
 - 13.2. Sealing the January Confidential Affidavit, which contains specific information related to the sale of the District Office in order to avoid tainting any future sale process that may be required should the sale of the District Office fail to be completed.
14. This report constitutes the Fourteenth Report of the Monitor (the “Fourteenth Report”). The Fourteenth Report provides additional information with respect to the following relief sought by the District Group at a hearing scheduled for February 23, 2016 (the “February 23 Hearing”):
 - 14.1. Authorizing and directing the District to present their plan of compromise and arrangement (the “District Plan”) to their creditors for approval;
 - 14.2. Approving the sale of lands in Elkford, British Columbia (the “Elkford Lands”), which are legally described as follows:

PARCEL IDENTIFIER: 009-824-103
LOT 2 DISTRICT LOT 3512 PLAN 15363
KOOTENAY LAND DISTRICT; and
 - 14.3. Sealing the Confidential Affidavit of Cameron Sherban, sworn on February 16, 2016 (the “February Confidential Affidavit”), which contains specific information related to the sale of the Elkford Lands (the “Elkford Sale”) in order to avoid tainting any future sale process that may be required should the Elkford Sale fail to be completed.

The District's Assets

15. Below is a summary of the book values of the assets held by the District (the "District Assets") as at December 31, 2015. This summary excludes mission remittances, a portion of which will be payable to Lutheran Church – Canada ("LCC"), which are being held in trust and will be used in the District's ongoing operations. It also excludes pre-paid expenses such as for postage. The Monitor is not releasing estimated realizable values for those District Assets which are the subject of ongoing collection efforts or where sales have not yet been completed for fear of compromising those collection efforts or future sale processes.

Description	District book values - December 31, 2015
Cash and marketable securities	\$ 692,440
Real properties that have been sold (funds held in trust)	17,306,186
Loans, mortgages and guarantees	11,237,333
Real properties	6,401,837
District - ECHS Mortgage	82,095,703
Subtotal	\$ 117,733,499
Add back emergency fund payments	467,279
Grand Total	\$ 118,200,778

- 15.1. Cash and marketable securities of approximately \$692,400 were being held in the District's operating account as at December 31, 2015. This amount is net of approximately \$4.1 million, which is payable to DIL Depositors pursuant to a settlement between the District's creditors' committee (the "District Committee") and DIL's creditors' committee (the "DIL Committee"), which was approved by an Order granted on January 4, 2016 (the "Settlement").
- 15.2. Cash of approximately \$17.3 million is being held in trust by the District's legal counsel related to the sale of real properties including a condominium located in Richmond, British Columbia, a property located in Revelstoke, British Columbia, lands located in St. Albert, Alberta, vacant school lands located in Edmonton, Alberta, 101 acres of land in Chestermere, Alberta (the "Chestermere Lands") and a settlement between the District and Concordia Lutheran Church.
- 15.3. The District has additional loans, mortgages and guarantees with book values totaling approximately \$11.2 million. This includes two unsecured loans from the Prince of Peace Lutheran Church and School (the "Church and School", the "Church and School Loans"), which have a combined outstanding balance of \$10.6 million. As described in the Fifth Report, the Church and School are located on development lands within the Prince of Peace Development,

which have yet to be subdivided (the “Development Lands”). The Church and School are claiming an interest in the building that houses the Church and School by way of a trust or other mechanism. As such, a portion of the Church and School Loans may be discharged upon the transfer of ownership of the Development Lands pursuant to the District Plan. In addition to the Church and School Loans, the District holds unsecured loans and a mortgage on a property in Fort McMurray, Alberta (the “Fort McMurray Property”). The Monitor is advised that a sale of the Fort McMurray Property is anticipated to close on April 1, 2016. Once the Fort McMurray Property is sold, it is anticipated that the corresponding mortgage will be paid in full. Shepherd of the Valley Ministries Ltd., a related entity, also provided a guarantee to the District with respect to any shortfall in the repayment of the District – ECHS Loan, as defined herein.

15.4. The District continues to hold the following four real estate properties:

- 15.4.1. A property located in Strathmore, Alberta, which houses the Trinity Christian Academy (the “Strathmore Property”). The Strathmore Property is currently being marketed by Colliers McCauley Nicholls Inc. at a list price of \$3.9 million. Pursuant to the Settlement, the proceeds from the sale of the Strathmore Property will be split evenly between the District and DIL;
- 15.4.2. The District Head Office, the sale of which was approved by the Court on November 5, 2015, as amended on February 8, 2016;
- 15.4.3. The Elkford Lands, for which the District is seeking Court approval of a sale at the February 23 Hearing; and
- 15.4.4. A property in Canmore, Alberta (the “Canmore Lands”), which houses the Shepherd of the Valley Lutheran Church (“Shepherd”). As previously reported, Shepherd has asserted a claim for adverse possession or other interest in the Canmore Lands. As such, it is possible that a settlement will be negotiated between the District and Shepherd, which may or may not involve the sale of the Canmore Lands (the assets described in 15.1 to 15.4 will be defined as the “Non-Core Assets”).

The net proceeds from the sale of the Strathmore Property (half of which will be available to the District), the District Head Office, the Elkford Lands, and any proceeds realized from the Canmore Lands will be held in trust for inclusion in the District Plan.

15.5. As previously reported, the District granted a loan to ECHS, which as at the Filing Date, had an outstanding balance of approximately \$82.1 million (the “District – ECHS Loan”). The District – ECHS Loan was secured by a mortgage for \$45 million plus accrued interest (the “District – ECHS Mortgage”) registered against selected properties within the Prince of Peace development, including the lands that house the Harbour and Manor senior’s care facilities, the surrounding expansion lands, the Church and School and the Development Lands (the “Prince of Peace Properties”). The Prince of Peace Properties are not currently subdivided. The Monitor notes that the District – ECHS Mortgage was also registered against the Chestermere Lands, which have been sold. Pursuant to the District Plan, the Prince of Peace Properties will be transferred into a new company (“NewCo”). As set out in the District Plan, pursuant to a tax structured transaction, shares in NewCo (the “NewCo Shares”) will be distributed to Eligible Affected Creditors (as defined herein).

The District's Plan

Affected Creditors

16. The District Plan has one class of creditors, which includes the following:

16.1. Pursuant to the claims process, which was approved pursuant to an Order granted on February 20, 2015 (the "Claims Process"), there were 2,638 District Depositors with proven claims of approximately \$96.7 million. An emergency fund was implemented prior to the Filing Date and approved by the Court as part of the Initial Order (the "Emergency Fund"). The Emergency Fund was established to ensure that District Depositors, many of whom are seniors, would have sufficient funds to cover their basic necessities. Pursuant to the Emergency Fund, for the period ended December 31, 2015, District Depositors had received payments totaling approximately \$467,300. Taking into account payments made pursuant to the Emergency Fund, District Depositors had proven claims of approximately \$96.2 million as at December 31, 2015.

16.2. Also pursuant to the Claims Process, the District was determined to have 13 trade creditors (the "Trades") with proven claims of approximately \$956,700. Attached as "Schedule 1" hereto is a list of the Trades. These include the following two claims, which were either partially or wholly disallowed by the Monitor and in respect of which dispute notices have been filed.

16.2.1. A claim by LCC (the "LCC Claim") related to an unfunded pension liability in the amount of approximately \$675,500; and

16.2.2. A claim by Fiserv Solutions Canada Inc. and Open Solutions DTS, Inc. (the "Fiserv Claim") related to the early termination of a contract between Fiserv and the District in the amount of approximately \$268,200.

17. The District Depositors and the Trades with proven claims or disputed claims that have not been settled or adjudicated will collectively be referred to as the "Eligible Affected Creditors".

Treatment of Eligible Affected Creditors

18. Each Eligible Affected Creditor would be paid the lesser of \$5,000 or the total amount of their claim (the "Convenience Payment(s)") upon the date that the District Plan would take effect, being the date following the appeal period of an Order sanctioning the District Plan (the "Sanction Order") or another date that may be agreed in writing by the District and the Monitor (the "Effective Date"). Based on the known claims of the Eligible Affected Creditors, this will result in 1,640 District Depositors

(approximately 62% of all District Depositors) being paid in full and 10 Trades (approximately 77% of all Trades) being paid in full. The Convenience Payments are estimated to total \$6.3 million.

19. The District Plan contemplates the liquidation of the Non-Core Assets. Pursuant to the District Plan, each time the quantum of funds held in trust from the liquidation of the Non-Core Assets, net of the Restructuring Holdback and the Representative Action Holdback (as both terms are defined herein), reaches \$3.0 million, funds will be distributed on a pro-rata basis to the Eligible Affected Creditors. In addition, upon the sale of all of the Non-Core Assets, funds will again be distributed on a pro-rata basis to the Eligible Affected Creditors. For clarity, there are sufficient funds currently held in trust such that there will be a distribution over and above the Convenience Payments immediately following the Effective Date. Based on the actual net sale proceeds of those Non-Core Assets for which sales have already been completed, and the estimated net realizations for the remaining Non-Core Assets, the Monitor currently estimates that Eligible Affected Creditors who are not paid in full by the Convenience Payments will receive cash distributions of between approximately 15% and 20% of their remaining proven claims after deducting the Convenience Payments. The Monitor notes that the estimated realizations are based on assumptions regarding future events and, as such, will vary and these variances could be material.
20. If the District Plan is approved, NewCo would be formed following the Effective Date. The corporate structure of NewCo is further described herein. Pursuant to a tax structured transaction, NewCo would purchase the Prince of Peace Properties from ECHS in exchange for the NewCo Shares. The value of the NewCo Shares would be based on the following:
 - 20.1. The forced sale value of the Harbour and Manor seniors' care facilities, which will be based on an appraisal of the Harbour and Manor seniors' care facilities prepared by CWPC Seniors' Housing Group as at November 30, 2015;
 - 20.2. The forced sale value of the remaining Prince of Peace Properties, which will be based on an appraisal prepared by Colliers International as at October 15, 2015;
 - 20.3. The estimated value of the assets held by ECHS, which would be transferred to NewCo pursuant to the ECHS Plan, which include working capital, computer hardware, equipment, furniture and fixtures and a water treatment plant (the "ECHS Assets"). This will be based on the actual value of cash held by ECHS at the date of transfer and discounted book values for the remaining ECHS Assets; and
 - 20.4. The estimated value of the assets held by EMSS, which would be transferred to NewCo pursuant to the EMSS Plan, which include working capital, furniture and fixtures, computer equipment, medical equipment and a vehicle (the "EMSS Assets"). This will be based on the actual value of cash held by EMSS at the date of transfer and discounted book values for the remaining EMSS Assets.
21. The assets described in 20.1 to 20.4 above will be defined as the "NewCo Assets".

22. ECHS will then transfer the NewCo Shares to the District in partial satisfaction of the District – ECHS Mortgage. The NewCo Shares will then be distributed to the Eligible Affected Creditors on a pro-rata basis. The Monitor currently estimates that Eligible Affected Creditors will receive NewCo Shares valued at between 53% and 60% of their remaining proven claims after deducting the Convenience Payments.
23. As previously described, each Eligible Affected Creditor will be eligible to receive the following (for clarity, no Eligible Affected Creditor will be eligible to receive distributions in excess of the total amount of their proven claim):
 - 23.1. A Convenience Payment for the lesser of the amount of the Eligible Affected Creditor’s proven claim or \$5,000;
 - 23.2. A cash distribution from the realization of the Non-Core Assets of between 15% and 20% of each Eligible Affected Creditors’ remaining proven claim after deducting the Convenience Payments;
 - 23.3. A distribution in the form of NewCo Shares, which are anticipated to be valued at between 53% and 60% of each Eligible Affected Creditors’ remaining proven claim after deducting the Convenience Payments.

The payments in 23.2 and 23.3 are anticipated to provide Eligible Affected Creditors, who are not paid in full by the Convenience Payments, with distributions valued at between 68% and 80% of their remaining proven claims, after deducting the Convenience Payments. As noted above, the estimated realizations are based on assumptions regarding future events and third party appraisals and, as such, will vary and these variations could be material.

24. Those Eligible Affected Creditors, who are not paid in full pursuant to the Convenience Payments and who reside either in Quebec or outside of Canada (the “Non-Resident Affected Creditors”) are not eligible to receive NewCo Shares pursuant to the District Plan. This is the result of the significant cost that would be required in order to comply with the respective securities legislation in these locations. Instead of receiving NewCo Shares, the Non-Resident Affected Creditors will receive a cash distribution equal to the value of the NewCo Shares, less a 20% discount, to reflect the fact that the Non-Resident Affected Creditors will be receiving cash ahead of other Eligible Affected Creditors (the “Non-Resident Distribution”). The Monitor notes that the version of the District Plan dated February 12, 2016 and filed on February 16, 2016 lists the amount payable to Non-Resident Affected Creditors incorrectly but the Monitor understands that this will be updated in an amended version of the District Plan to be filed ahead of the February 23 Hearing. The Monitor notes that, following the Convenience Payments, there are eight Non-Resident Affected Creditors with claims totalling approximately \$258,900. For clarity, the Non-Resident Affected Creditors will be entitled to participate in the Convenience Payments, cash distributions from the sale of the Non-Core Assets and the Non-Resident Distribution. The Non-Resident Distribution will be paid immediately following the Effective Date.

25. A reserve from any distributions will be withheld pending the resolution of claims held by Eligible Affected Creditors that are subject to dispute notices and are not yet proven claims.
26. Distributions to Eligible Affected Creditors will be subject to the following two holdbacks:
 - 26.1. To satisfy reasonable fees and expenses of the Monitor, the Monitor's legal counsel, the CRO, the Applicant's legal counsel and legal counsel for the District Committee (the "Restructuring Holdback"), which will be determined prior to the date of each distribution based on the estimated professional fees required to complete the administration of the CCAA proceedings; and
 - 26.2. For District Depositors who elect or are deemed to elect to participate in a future legal action or actions, which may be undertaken as a class proceeding (the "Representative Action"), an amount sufficient to fund the out-of-pocket costs associated with the Representative Action and to indemnify any District Depositor, who may be appointed as a representative plaintiff in the Representative Action (the "Representative Plaintiff") for any cost award (the "Representative Action Holdback"). The Representative Action Holdback will be determined prior to any distribution based on guidance from the Subcommittee and Representative Counsel (as both terms are defined herein).

Treatment of Unaffected Creditors

27. Those creditors with claims that would be unaffected by the District Plan include Crown claims, post-filing claims, claims with respect to reasonable fees and disbursements of the Monitor, the Monitor's legal counsel, the Applicants' legal counsel, legal counsel for the District Committee and the CRO, claims of current employees, directors and officers, critical suppliers (as set out in the Initial Order and a subsequent Order granted on February 20, 2015), claims against directors that are not released by the CCAA, claims regarding agreements that have not been disclaimed or resiliated and the Representative Action Claims.
28. The Unaffected Creditors are not impacted by the District's Plan and any amounts owing to them will continue to be paid in the ordinary course.

Key Elements of the District Plan

29. The key elements of the District Plan are as follows:
 - 29.1. The District Plan would only become effective at such time as the Sanction Order has been granted in respect of the District Plan and the corresponding appeal period has expired;
 - 29.2. The District would continue its efforts to realize on the Non-Core Assets as further described herein. The Convenience Payments and the proceeds from the realization of the Non-Core Assets will be distributed to the Eligible Affected Creditors, as set out herein;

- 29.3. Pursuant to a tax structured transaction, NewCo would be established, the NewCo Assets would be transferred into NewCo and the NewCo Shares would be distributed to the Eligible Affected Creditors on a pro-rata basis, as set out herein;
- 29.4. The District would continue to operate but the District's bylaws and handbook would be amended such that the District would no longer be able to raise or administer funds through any type of investment vehicle such as CEF; and
- 29.5. District Depositors would have access to a streamlined process (the "Representative Action Process") whereby the Representative Action can be undertaken on their behalf, as further described herein.

NewCo

30. NewCo would be formed as a private Alberta corporation immediately following the Effective Date. As described above, pursuant to the District Plan, the NewCo Assets would be transferred to NewCo. NewCo would continue to operate the Harbour and Manor seniors' care facilities.
31. Eligible Affected Creditors, with the exception of the Non-Resident Affected Creditors, who are not paid in full pursuant to the Convenience Payments would receive 100% of the NewCo Shares on a pro-rata basis based on the amount of their remaining proven claims. For greater clarity, this means that Eligible Affected Creditors would become owners of NewCo with the NewCo Shares representing that ownership interest.

Bylaws and Articles

32. As proposed by the District Committee, NewCo's bylaws would include a clause reflecting that 50% of the board of directors (the "NewCo Board") must be comprised of District Depositors or their nominees. Although NewCo is being created with the purpose of allowing the NewCo Assets to be placed in the hands of a professional management team with appropriate business and real estate expertise, the District Committee wanted to ensure that Eligible Affected Creditors would have representation equal to that of the professional management team on the NewCo Board. The CRO has indicated that they have made arrangements for these positions to be filled by Elmer Ray, Sandra Jory (also a member of the District Committee) and Stephen Nielson, whose qualifications, together with those of the other proposed members of the NewCo Board, including Lisa Van Hemert, and NewCo's professional management team ("NewCo Management") have been provided by the CRO and are attached hereto as "Schedule 2". The Monitor notes that the members of the NewCo Board may change prior to NewCo being formed, subject to District Committee approval. Subsequent changes to the NewCo Board, if desired, can be voted on at future shareholder meetings.
33. In addition, following negotiations between the District, the District Committee and the Monitor, the articles of incorporation for NewCo (the "NewCo Articles") would be created including the following provisions, which are intended to provide additional protection for the Eligible Affected Creditors:

- 33.1. The NewCo Assets may only be pledged as collateral for up to 10% of their fair market value, subject to an amendment by a special resolution of the shareholders of NewCo (the “NewCo Shareholders”);
 - 33.2. A redemption of a portion of the NewCo Shares would be allowed upon the sale of any portion of the NewCo Assets that generates net sale proceeds of over \$5.0 million;
 - 33.3. NewCo would establish a mechanism, likely in the form of a registry, to join those NewCo Shareholders who wished to purchase NewCo Shares with those NewCo Shareholders who wished to sell them;
 - 33.4. A general meeting of the NewCo Shareholders would be called no later than six months following the Effective Date for the purpose of having NewCo Shareholders vote on a proposed mandate for NewCo, which may include the expansion of the Harbour and Manor seniors’ care facilities, the subdivision and orderly liquidation or all or a portion of the NewCo Assets or a joint venture to further develop the NewCo Assets (the “NewCo Shareholder Meeting”); and
 - 33.5. To provide dissent rights to minority NewCo Shareholders.
34. The NewCo Articles are detailed in “Schedule E” of the District Plan. The NewCo Articles are currently being updated from those that were attached to the District Plan dated February 12, 2016 and filed on February 16, 2016. The Monitor understands that the updated NewCo Articles will be included in an amended version of the District Plan to be filed ahead of the February 23 Hearing.

NewCo Management

35. Following the Effective Date, NewCo Management, which is anticipated to include Scott McCorquodale who has over 20 years of commercial real estate experience, Monica Kohlhammer who has over 25 years of experience in board governance, strategic planning, evaluation and administration in both the public and private sector, and Tony Chin who has expertise in accounting, tax and financing for private companies. NewCo Management’s qualifications are further outlined in “Schedule 2”. As with the members of the NewCo Board, NewCo Management may change prior to NewCo being formed, subject to District Committee approval. All compensation for NewCo Management will be set by the NewCo Board. NewCo Management’s initial focus will be to investigate and report to the NewCo Shareholders regarding the possible mandates available to NewCo.
36. NewCo Management would also be tasked with providing regular financial reporting, including quarterly statements and annual reports with Management Discussion and Analysis.

The NewCo Shareholders Meeting

37. At the NewCo Shareholder Meeting, NewCo Shareholders would have the opportunity to consider and vote on their preferred mandate for NewCo, taking into account NewCo Management’s recommendations. As noted above, the NewCo Shareholder Meeting must be held within six months

of the Effective Date. The Monitor is supportive of the formation of NewCo as set out in the District Plan for the following reasons:

- 37.1. Following the issuance of the Convenience Payments, only 1,001 Eligible Affected Creditors would continue to have outstanding proven claims and would become NewCo Shareholders. The implementation of the District Plan ahead of the NewCo Shareholder Meeting would provide Eligible Affected Creditors with clarity as to their recovery pursuant to the District Plan and the amount of their ownership interest in NewCo prior to voting on their preferred mandate for NewCo;
- 37.2. Although the time between the Effective Date and the NewCo Shareholder Meeting could provide an additional period of uncertainty for the Eligible Affected Creditors, it would also allow NewCo Shareholders the benefit of professional management advice prior to voting on their preferred mandate for NewCo; and
- 37.3. The Monitor has consulted with Deloitte's real estate advisory group ("Deloitte Real Estate") with respect to the NewCo Assets. Deloitte Real Estate has advised that the Alberta real estate market is changing rapidly with compression on property values being reflected within most areas of the commercial market and financing becoming more difficult to obtain. As such, although the NewCo Properties, and in particular the Harbour and Manor seniors' care facilities, are considered to be desirable properties, waiting for more favourable conditions in the Alberta real estate market could result in improved realizations for the NewCo Assets.

Liquidity

38. As NewCo Shareholders, Eligible Affected Creditors may receive cash recoveries over time, through mechanisms that may include the following:
 - 38.1. The sale of an Eligible Affected Creditor's NewCo Shares. The Monitor notes that the NewCo Shares may have limited liquidity immediately upon being issued; however, this liquidity may improve over time depending on the mandate established for NewCo and NewCo's operating results;
 - 38.2. Should NewCo's operations be profitable, dividends may be paid to NewCo Shareholders. For greater clarity, this represents money paid to the NewCo Shareholders from NewCo's profits; and
 - 38.3. As reported above, a portion of the NewCo Shares may be redeemed upon the sale of any portion of the NewCo Assets that generates net sale proceeds of over \$5.0 million. Should NewCo Shareholders vote in favour of a mandate for NewCo that includes the orderly liquidation of all of the NewCo Assets, then the recovery to Eligible Affected Creditors may be paid in the form of share redemptions as the NewCo Assets are liquidated.

Risks

39. All investments are subject to various risk factors and should any of these risks actually occur, NewCo's business, operating results, financial condition or asset values could be materially adversely affected. In that event, the value of the NewCo Shares could decline and Eligible Affected Creditors could lose part or all of their investment in NewCo. Additional risk and uncertainties presently unknown to the Monitor may also have a material effect on NewCo's business, operating results, financial condition or asset values and could negatively affect the value of the NewCo Shares.
40. NewCo is also subject to general business risks, which include, among others, the following:
 - 40.1. Increased government regulation and oversight;
 - 40.2. Management's ability to work within a prescribed framework and deliver results;
 - 40.3. Rezoning challenges with regional government bodies;
 - 40.4. Fluctuations in occupancy levels and business volumes;
 - 40.5. Changes in the level of approved government funding;
 - 40.6. Increased labour costs or other operational costs;
 - 40.7. Future changes in labour relations;
 - 40.8. Changes in the condition of the location or other general economic conditions;
 - 40.9. Health related risks;
 - 40.10. Changes in accounting principles and policies;
 - 40.11. The imposition of increased taxes or new taxes;
 - 40.12. Increased required capital expenditures; and
 - 40.13. Changes in financial markets/ landscape.

Any one or a combination of these factors may adversely affect the business, operating results and financial condition of the company. The potential liquidity of the NewCo Shares is also unknown and there may be situations where NewCo Shareholders cannot sell their NewCo Shares as desired or at all.

Tax Implications

41. The Trustee's legal counsel, Gowling Lafleur Henderson LLP ("Gowlings"), prepared a memorandum with respect to the tax implications of the District Plan for District Depositors (the "Tax Opinion"). The Tax Opinion is attached hereto as "Schedule 3". 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, and who have not entered into a "derivative forward agreement" (as defined in the *Income Tax Act (Canada)* and regulations thereto). Where District Depositors are congregations, the Tax Opinion only applies to those congregations that

are either registered charities or non-profit organizations. A hand-out (the “Tax Summary”) summarizing the findings from the Tax Opinion is attached as “Schedule 4” and will be provided to District Depositors in conjunction with the Information Package (as defined herein).

42. The Tax Summary provides guidance for District Depositors on the following issues:
 - 42.1. Reporting interest on investments for which T5s were issued during 2014 and 2015;
 - 42.2. Reporting gains or losses on the exchange of proven claims for cash and NewCo Shares pursuant to the District Plan;
 - 42.3. Reporting future dividends from NewCo;
 - 42.4. Reporting gains or losses on the disposition of NewCo Shares; and
 - 42.5. Reporting any recoveries in the Representative Action.
43. As outlined therein, the Tax Opinion, and by extension the 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 Gowlings takes no responsibility for parties that rely on the Tax Opinion.

The Representative Action

44. In addition to setting out how the distributions pursuant to the District Plan will be paid, the District Plan establishes the Representative Action Process whereby a future legal action or actions, which may be undertaken as a class proceeding (defined above as the “Representative Action”) could be undertaken for the benefit of those District Depositors who elect or are deemed to elect to participate (the “Representative Class”). The Representative Action would include only claims by District Depositors that are not paid under the District Plan or released by the District Plan and specifically includes the following:
 - 44.1. Claims related to a contractual right of one or more of the District Depositors;
 - 44.2. Claims based on allegations of misrepresentation or wrongful or oppressive conduct;
 - 44.3. Claims for breach of any legal, equitable, contractual or other duty;
 - 44.4. Claims pursuant to which the District has coverage under the Applicant’s directors’ and officers’ liability insurance; and
 - 44.5. Claims to be pursued in the District’s name, including any derivative action (whether statutory or otherwise) or any claims that could be assigned to a creditor pursuant to Section 38 of the *Bankruptcy and Insolvency Act*, if such legislation were applicable (claims listed in 44.1 to 44.5 will be collectively referred to as the “Representative Action Claims”).
45. For greater clarity, Trade Creditors are not eligible to participate in the Representative Action.

46. The Monitor notes as follows with respect to the Representative Action Process:
- 46.1. District Depositors would have the ability to opt-out of the Representative Action using a Notice of Opting Out attached as “Schedule D” to the District Plan. Those District Depositors who did not submit a Notice of Opting Out would be deemed to have opted-in to the Representative Action. Those District Depositors who have been deemed to opt-in will constitute the Representative Class. Those District Depositors who explicitly opt-out of the Representative Action would be forever barred from participating in the Representative Action, including receiving any proceeds that may become payable pursuant to the Representative Action.
 - 46.2. Those District Depositors who elect to participate in the Representative Action would have a portion of their cash distributions from the sale of the Non-Core Assets withheld to fund the Representative Action Holdback. It would only be possible to estimate the value of the Representative Action Holdback once the Representative Counsel has been retained. As such, upon the Representative Counsel being retained, the Monitor would send further correspondence to the Representative Class, providing District Depositors with additional information including the names of the members of the Subcommittee (as defined herein), the name of the legal counsel for the Representative Class (the “Representative Counsel”), the estimated amount of the Representative Action Holdback, the commencement date of the Representative Action, the deadline for opting-out of the Representative Action and instructions on how to opt-out of the Representative Action should they choose to do so. Depending on the arrangement between the Subcommittee (as defined herein) and Representative Counsel, should it be determined that costs will be incurred prior to the commencement of the Representative Action, the Monitor would provide further correspondence to District Depositors advising them that this is the case and advising them of the deadline by which they must opt-out of the Representative Action if they do not wish to have any amounts withheld pursuant to a Representative Action Holdback.
 - 46.3. A subcommittee would be established to choose legal counsel to represent the Representative Class in the Representative Action (the “Subcommittee”). The Subcommittee would include between three and five individuals and all members of the Subcommittee would be appointed by the District Committee. The Subcommittee is not anticipated to include a member of the District Committee, however, some members of the District Committee have indicated that they are willing to meet with the Subcommittee to assist in providing them with background information on the CCAA proceedings.
 - 46.4. The duties and responsibilities of the Subcommittee would include the following:
 - 46.4.1. Reviewing the qualifications of at least three lawyers and selecting one lawyer to act as the “Representative Counsel”;
 - 46.4.2. With the assistance of Representative Counsel, identifying a party(ies) willing to act as the Representative Plaintiff;

- 46.4.3. Remaining in place throughout the Representative Action with their mandate to include the following:
 - 46.4.3.1. Assisting in maximizing the amount available for distribution to the Representative Class;
 - 46.4.3.2. Consulting with and instructing the Representative Counsel on behalf of the Representative Class, including communicating with the Representative Class at reasonable intervals and settling all or a portion of the Representative Action;
 - 46.4.3.3. Replacing Representative Counsel;
 - 46.4.3.4. Serving in a fiduciary capacity on behalf of the Representative Class;
 - 46.4.3.5. Establishing the amount of the Representative Action Holdback and directing that payments be made to the Representative Counsel from the Representative Action Holdback; and
 - 46.4.3.6. Bringing any matter before the Court by way of an application for advice and direction.
- 47. The Representative Action would represent the sole recourse available to District Depositors with respect to the Representative Action Claims. The Monitor is aware that at least one other group intended to commence a class action proceeding in respect of the Representative Action Claims. Should they desire, interested parties may submit name(s) of individuals, who may wish to act on the Subcommittee or, where they have consulted with legal counsel, have their legal counsel put forward as one of the legal counsel to be considered by the Subcommittee to act as Representative Counsel.
- 48. The Monitor is of the view that the inclusion of the Representative Action Process in the District Plan is beneficial to District Depositors for the following reasons:
 - 48.1. It provides a streamlined process for the establishment of the Representative Class and the funding of the Representative Action;
 - 48.2. It prevents a situation where District Depositors are being contacted by multiple groups seeking to represent them in a class action or otherwise;
 - 48.3. Increased recoveries may be achieved in settling the Representative Action Claims on the basis that such settlements will be a resolution of any and all claims of District Depositors; and
 - 48.4. Selected District Depositors have indicated that they view any involvement in litigation as inconsistent with their personal religious beliefs. The Representative Action Process allows District Depositors to opt-out of the Representative Action before litigation is ever commenced, should that be their preference.

49. The DIL Plan approved by the DIL Depositors provided for substantially the same Representative Action Process.

Releases

50. The District Plan provides for different forms of releases to the following parties:
 - 50.1. The Monitor, the Monitor's legal counsel, the Applicant's legal counsel, the CRO, the legal counsel for the District Committee and the District Committee members (the "Released Representatives"); and
 - 50.2. The District, the other Applicants, the present and former directors, officers and employees of the District, parties covered under the D&O Insurance and any independent contractors of the District, who were employed three days or more a week on a regular basis (the "Partially Released Parties").
51. The District Plan provides releases to the Released Representatives except to the extent that any liability arises out of any fraud, gross negligence or willful misconduct on the part of the Released Representatives and to the extent that any actions or omissions of the Released Representatives are not directly or indirectly related to the CCAA proceedings or their commencement.
52. The District Plan provides for limited releases to the Partially Released Parties, which are largely limited to statutory filing obligations, and do not release any claims of District Depositors. The following claims are specifically excluded from being released by the District Plan.
 - 52.1. Claims against directors that relate to contractual rights of one or more creditors or are based on allegations of misrepresentations made by directors to creditors or of wrongful or oppressive conduct by directors as set out in Section 5.1(2) of the CCAA;
 - 52.2. Claims prosecuted by the Alberta Securities Commission or the British Columbia Securities Commission arising from compliance requirements of the *Securities Act of Alberta* and the *Financial Institutions Act of British Columbia*;
 - 52.3. Claims made by the Superintendent of Financial Institutions arising from compliance requirements of the *Loan and Trust Corporations Acts of Alberta and British Columbia*; and
 - 52.4. Any Representative Action Claims, whether or not they are insured under the Applicant's directors and officers liability insurance, which are advanced solely as part of the Representative Action.
53. The DIL Plan approved by the DIL Depositors provided for the same release provisions.

Other Considerations

54. The District Plan meets the criteria outlined in Section 6 of the CCAA in respect of restrictions on the payment of Crown claims, employees and former employees of the District and prescribed pension plans. The District has advised that there are no outstanding Crown Claims and all employees are

paid up to date. The District is a participant in a pension plan sponsored by LCC. The LCC Claim relates to an unfunded pension deficit. As noted above, the Monitor disallowed the LCC Claim and that disallowance has been disputed by LCC. Although negotiations are still ongoing, the Monitor anticipates that a portion or all of the LCC Claim will be allowed as an unsecured claim. The District continues to participate in the LCC Pension Plan and has advised that all remittances following the Filing Date have been paid in full.

Proposed Meeting Order

55. The District is seeking the Meeting Order which sets out the following time and place for the District creditors' meeting (the "District Meeting"):
 - 55.1. Time: Saturday, April 30, 2016 at 10:00 a.m.
 - 55.2. Location: MacLeod Hall, Telus Convention Centre, 120 9th Avenue SE, Calgary, Alberta
56. A representative of the Monitor shall preside as the chair of the District Meeting with those individuals entitled to attend the District Meeting including the Eligible Affected Creditors for the District or their respective proxy-holders, directors of the District, the Monitor, the CRO, the Applicant's legal counsel, the Monitor's legal counsel, members of the Committees, legal counsel for the Committees, the meeting chair, scrutineers and the meeting secretary.

Notice

57. The Meeting Order further sets out the notice requirements for the Eligible Affected Creditors as follows:
 - 57.1. The District Notice of Creditors' Meeting (the "Notice") will include the website address where Eligible Affected Creditors can access and retrieve copies of relevant documents including the District Plan, the Meeting Order, a report to Eligible Affected Creditors issued by the Monitor, the time and place of the District Meeting, the form of Election Letter (the "Election Letter"), the form of Notice of Opting Out, the form of proxy (the "Proxy") and a *Minors' Property Act* Regulation Form, which will collectively form the "Information Package". The Information Package will provide further direction to those acting on behalf of minors;
 - 57.2. The Monitor will post the Information Package on the Monitor's Website by no later than February 29, 2016 and send the Information Package as soon as practicable and, in any event, not later than March 11, 2016 to each Eligible Affected Creditor by regular mail, facsimile, courier or email to the last known address;
 - 57.3. The Monitor will further send the Information Package to all Eligible Affected Creditors of the District who request a copy by no later than two days prior to the District Meeting or any adjournments thereof; and

57.4. A newspaper notice of the District Meeting will be published once by the Monitor in the Globe and Mail National Edition as soon as practicable and no later than March 4, 2016.

Voting

58. Eligible Affected Creditors may vote in person at the District Meeting, which votes shall be done by a confidential written ballot. Eligible Affected Creditors can also vote on the approval of the District Plan via Election Letter and can vote on the approval of the District Plan as well as on any other items that may be considered at the District Meeting via Proxy.
59. Both Election Letters and Proxies must be submitted in the form prescribed in the Information Package to the Monitor by 5:00 p.m. on the last business day preceding the date set for District Meeting or any adjournments thereof. Proxies can also be hand delivered to the chair prior to the commencement of the District Meeting but will not be accepted thereafter.
60. The person named in the Proxy shall vote the relevant claim in accordance with the direction of the Eligible Affected Creditor who appointed them. The Proxy confers a discretionary authority upon the person named therein with respect to amendments or variations of the matters being tabled for consideration.

Approval of Plan

61. In order for the District Plan to be considered approved, two-thirds in value and a majority in number of the Eligible Affected Creditors must vote in favour of the District Plan.

Monitor's Recommendation regarding the Meeting Order

62. The Monitor believes that the Meeting Order provides sufficient notice for the District Meeting and the Monitor is prepared and able to fulfill the duties set out for the Monitor in the Meeting Order. As such, the Monitor recommends that the Meeting Order be approved.

Monitor's Recommendations on the District Plan

63. The Monitor is supportive of the District Plan and is of the opinion that the District Plan is fair and reasonable and appears to be in the general best interest of all parties for the following reasons:
 - 63.1. The Convenience Payments will serve to repay in full 62% of District Depositors and 77% of Trade Creditors. Following the Convenience Payments, approximately 1,001 Eligible Affected Creditors will continue to have outstanding proven claims.
 - 63.2. The District will continue to realize on the Non-Core Assets with all funds being made available to Eligible Affected Creditors as set out in the District Plan. Should the District Plan fail, the remaining Non-Core Assets may need to be liquidated under forced sale conditions, which would likely result in lower sale proceeds, delays in the realization of the Non-Core Assets and increased professional fees and expenses. The Monitor has estimated that pursuant to the

District Plan, those Eligible Affected Creditors, who have proven claims in excess of the Convenience Payments will receive between approximately 15% and 20% of their remaining proven claim after deducting the Convenience Payments from the sale of the Non-Core Assets. Should the District Plan fail and a subsequent forced sale liquidation (such as pursuant to a Receivership ensue), the Monitor estimates that the realizations for those Non-Core Assets that have not yet been sold or settled may be 10% to 20% lower than they would be pursuant to the District Plan.

- 63.3. The NewCo Assets will be transferred into NewCo with Eligible Affected Creditors receiving the NewCo Shares as set out herein. The NewCo Shares are anticipated to be valued at between 53% and 60% of District Depositors' remaining proven claims after deducting the Convenience Payments. The NewCo Shareholders will have the ability to vote on NewCo's mandate at the NewCo Shareholder Meeting. In lieu of receiving NewCo Shares, Non-Resident Affected Creditors will receive a further cash distribution equal to the value of the NewCo Shares, less a 20% discount.
- 63.4. Following the Convenience Payments having been made, it is anticipated that District Depositors will receive distributions in the form of cash and shares totalling between 68% and 80% of their remaining proven claims, after deducting the Convenience Payments.
- 63.5. As noted above, there are both risks and potential upside opportunities for Eligible Affected Creditors in becoming NewCo Shareholders. The Monitor, however, is supportive of the creation of NewCo as outlined in the District Plan for the following reasons:
 - 63.5.1. The NewCo Articles were developed in consultation with the District Committee and afford some additional protections to Eligible Affected Creditors outside of what may be available to shareholders in the ordinary course;
 - 63.5.2. Through the NewCo Shareholder Meeting, Eligible Affected Creditors will have the ability to vote on NewCo's mandate, which may include the expansion of the Manor and Harbour seniors' care facilities, the orderly liquidation of all or a portion of NewCo's Assets or a joint venture to further develop the surrounding development and expansion lands; and
 - 63.5.3. The Prince of Peace Properties are not currently subdivided and this subdivision would be required to complete a meaningful sales process. In addition the recent downturn in the Alberta real estate market would suggest that a short-term sale may not be the best option to maximize the value of the NewCo Assets.
- 63.6. Should the District Plan fail, the Prince of Peace Properties and the ECHS Assets will remain in ECHS and the EMSS Assets will remain in EMSS. In that scenario, it is likely that a further insolvency proceeding, such as a receivership, would follow and that foreclosure proceedings would be required in order for the District to take possession of the Prince of Peace Properties for the benefit of the Eligible Affected Creditors. Once such foreclosure proceedings were

completed, the Prince of Peace Properties would likely be sold in a forced sale scenario. It is also possible that the foreclosure proceedings may have negative repercussions for the ongoing operations of the Harbour and Manor seniors' care facilities, which operate pursuant to various agreements with Alberta Health Services. The complications associated with foreclosure proceedings and the fact that the Prince of Peace Properties would likely be sold pursuant to a further insolvency proceeding would serve to increase professional fees, reduce realizations and significantly extend the time frame for any recovery to Eligible Affected Creditors.

- 63.7. The District Plan provides for a streamlined process for District Depositors to pursue the Representative Action Claims; and
- 63.8. The District Committee has approved the District Plan.

The Elkford Sale

64. As reported above, the District is seeking Court approval at the February 23 Hearing for the Elkford Sale.
65. The District is the registered owner of the Elkford Lands and there are no mortgages registered on title for the Elkford Lands.
66. The Elkford Lands have been listed with Royal LePage – East Kootenay (“Royal LePage”) since May 2015. Pursuant to the Listing Agreement, a commission of 5% of the first \$100,000 and 2.5% the remaining gross sale proceeds is to be paid to Royal LePage upon the completion of the Elkford Sale.
67. Royal LePage has advised that the Elkford Lands were listed on the multiple listing services. There were six showings in May and June of 2015, including one with the current offeror. No offers were presented and only the current offeror expressed an ongoing interest in the Elkford Lands. Royal LePage has further indicated that there was a limited market for the Elkford Lands.
68. The Marketing Process only generated one offer on the Elkford Lands. The Monitor has reviewed the Elkford Offer in conjunction with Deloitte Real Estate and is supportive of the Elkford Offer based on the following:
 - 68.1. The purchase price appears to be reflective of the current market in Elkford, which is limited and may be more beneficial to the Applicant’s creditors than a sale or disposition in a forced liquidation scenario;
 - 68.2. The District Committee has approved the Elkford Offer; and
 - 68.3. The sale proceeds will be held in trust, pending further Order of this Court, for the purposes of being included in the District Plan.

Conclusion

69. The Monitor believes that the Meeting Order provides sufficient notice for the District Meeting and the Monitor is prepared and able to fulfill the duties set out for the Monitor in the Meeting Order. As such, the Monitor recommends that the Meeting Order be approved.
70. The Monitor supports the District Plan and is of the opinion that the District Plan is fair and reasonable and appears to be in the general best interest of all parties for the reasons set out herein.
71. The Monitor supports the District Group's application for approval of the Elkford Sale and the sealing of the February Confidential Affidavit, as further set out herein.

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
Senior Vice-President

Schedules

Schedule 1

District - Claims of Trade Creditors	
Name	Amount
Lutheran Church - Canada	\$ 675,466
Fiserv Solutions Inc. and Open DTS Inc.	268,199
Concordia Lutheran Seminary	7,655
Lutheran Laymen's League of Canada/ Lutheran Hours Ministries	1,784
Concordia University College of Alberta	1,047
Concordia Lutheran Mission Society	844
Cross of Christ Lutheran Church of the Deaf	750
Lutheran Bible Translators of Canada Inc.	260
Lutheran Hospital Ministries of Northern Alberta	250
Cross Pointe Lutheran Church	200
Lutheran Hospital Ministries of Southern Alberta	200
Lutheran Historical Institute	55
Malabar Mission Society	25
Total	\$ 956,734

Schedule 2

NewCo. Management Summary

February 2016

Management Team

Scott McCorquodale; MBA - President and Chief Executive Officer and Director

As the leader of NewCo, Scott brings 20+ years of professional experience specializing in the sale of investment real estate in the \$10-\$50MM range. Scott's previous experience included Vice President, Investment Sales at Colliers International; the world's largest commercial real estate broker where his team closed ~\$1.5B in sales. He has personally presided over the sale of major regional shopping centers, multitudes of office buildings, industrial properties, multi-family buildings and hotels. Additionally Scott has advised landlords in the long-term care market. In 2006 and 2007, he was awarded the Colliers International Award of Excellence, an award given to the top 50 Colliers International commercial real estate professionals worldwide. Some of Scott's successful assignments include the Sheraton Red Deer (a 219 room A-class hotel trophy asset) and a Centre Village Mall (a major regional shopping centre whose tenants included Save-on-Foods, Future Shop, and Canadian Tire) in Lethbridge, Alberta. While at Colliers International, his clients included Sun Life Assurance Company, Great West Life, First Capital, Huntingdon REIT, Artis REIT, and a number of other institutional and publically traded entities. Scott graduated from the University of Western Ontario with a degree in Statistics and earned a Masters of Business Administration with a specialty in Finance from the Haskayne School of Business.

Management Team (cont'd)

Monica E Kohlhammer ICD.D, MSA, BScN, RN - Vice President Operations and Director

The Founder and President of MK Strategy Group, Monica has over 25 years of experience in board governance, strategy, planning, evaluation, and administration across a broad spectrum in the public and private sector. Monica has served as corporate director of Calgary Economic Development, has been a representative member of the Calgary Regional Partnership (CRP) Economic Prosperity Committee, was a corporate director with the Mount Royal University Foundation and chairperson for both the board's Governance and Stewardship Committees, and has served as president and executive of condominium/strata boards in both Alberta and B.C. Monica holds an Institute Corporate Director Accreditation (ICD.D) from the University of Calgary, a Master of Science in Administration from the Central Michigan University, and a Bachelor of Science in Nursing from the University of Saskatchewan.

Monica's role within the Company will be to focus on the operations of the senior care facilities and relationships with the County of Rocky View, Alberta Health Services and the School District. Monica has also worked with and consulted for a number of senior care providers throughout Western Canada.

Tony Chin Chartered Accountant - Chief Financial Officer

Tony is a Chief Financial Officer with expertise in privately owned companies overseeing all accounting, tax and financing details. Tony began his career at Deloitte in the audit department and has experience in the areas of corporate governance, financial reporting, financing and accounting for complex transactions.

Tony's primary role on the Management team will be to work closely with the shareholder base and stakeholders to implement financial controls and corporate governance. Tony will also co-ordinate the audit and other financial reporting functions.

Board of Directors

The Board of Directors role and fiduciary duties within the Company will be significant. The Board is comprised of six members. The responsibilities of the Board Members includes the following:

- Organizational Governance
- Assurance of Executive Performance
- Accountability for Actions of the Entity
- Relationships with Shareholders

In addition to Scott McCorquodale and Monica Kohlhammer, the Board of Directors is comprised of one additional independent member, and three individuals who represent significant Church Extension Fund Depositors.

The Directors, who are not a part of management, will be voted on annually by shareholders at the annual general meeting and will not be provided annual salaries. Out of pocket expenses will be covered for travel to Board meetings and they will participate in an equity compensation plan that aligns them with the interests of the shareholders.

Board of Directors (cont'd)

Elmer Ray (Depositor Representative)

Elmer is the President and Chief Executive Officer of Ray Agro & Petroleum Ltd. A family business since 1957 headquartered in Stony Plain, Alberta. The company's core operations are the supply of fertilizer, bulk fuel and lubricants to markets throughout Western Canada.

Lisa Van Hemert BA, MBA

Lisa is currently Vice President of Canadian Operations with Global Partners LP; a midstream logistics and marketing company, is the Founder and Chair of Women Working in Calgary; a women's networking group with over 8000 members, and previously worked with Connacher Oil & Gas Limited where she established sustainable markets for Connacher's oil production, oversaw pricing and logistics negotiations, and pioneered the movement of oil to rail-served markets in the US. Prior to Connacher, Lisa worked with TransCanada Pipelines where she negotiated Keystone Pipeline's upstream and downstream interconnects, managed TransCanada's 2008 United Way campaigns across Canada and the US, supervising a team of 25, and raising \$2.4 million while concurrently functioning in the Business Development Role. Lisa also worked with Kinder Morgan where she negotiated with power suppliers, reduced the variability of power costs, and restructured the power cost forecasting and budgets for four major pipeline systems. Lisa graduated from the University of Calgary with an MBA, Finance and a Bachelor of Arts, Social Studies.

Board of Directors (cont'd)

Stephen Nielson B.Comm, PMP (Depositor Representative)

Stephen Nielsen has held senior management positions in various private and public sector institutions. Most recently, Mr. Nielsen worked in a senior role in a Global consulting company leading clients in making the best use of their information and technology. Mr. Nielsen, was Chair and CEO of the Mackenzie Valley Land and Water Board; a senior federal, regulatory Board governing Land and Water use. Mr. Nielsen has served on several Boards and Committees, primarily in the Information Technology industry. Mr. Nielsen has a Bachelor of Commerce degree from Dalhousie University and a Graduate Diploma in Information Technology and holds the Project Management Professional (PMP) designation.

Sandra Jory CPA, CA (Depositor Representative)

Sandra is currently self-employed managing real estate properties in the Edmonton area. Prior to this, Sandra was employed as a Senior Manager with MNP LLP from 2005 to 2011. During her time at MNP Sandra worked in the Enterprise Risk Services group managing projects for clients in the public sector, government and post-secondary providing expertise on CEO/CFO certification and financial controls and business process improvement. Sandra also worked in the Leduc office of MNP as an engagement manager providing assurance and tax services to a broad base of clients, including high net worth individuals in a variety of industries including oilfield, automotives and retail. Prior to joining MNP, Sandra was the Director of Corporate Services and CFO for St. John Ambulance, overseeing the finance, human resources and IT functions. Sandra articulated with Deloitte and received her CA in 2002.

NewCo. Management Disclaimer

- It is to be noted that, the information provided herein is general in nature, based on the information provided by the individuals and has not been independently verified.
- All individuals described herein have agreed to being a part of the Management team of NewCo. as of the date of this document. However, there is no representation made or guarantee provided that any of these persons will become part of the Management team once NewCo. is incorporated. Any changes to the Management of NewCo. prior to Plan approval will be approved by the Creditor Committee.

Schedule 3

Memorandum

To: Vanessa Allen, Deloitte Restructuring Inc.

Date: February 9, 2016

Re: Exchange of Debt for Shares and Cash

File Number: A135752

The following summary describes the principal Canadian federal income tax considerations generally applicable to a holder (the “**CEF Depositors**”) of unsecured debt (the “**Debt**”) issued by the Church Extension Fund of the Lutheran Church – Canada, the Alberta & British Columbia District (the “**District**”) who will, pursuant to a Plan of Compromise and Arrangement (the “**Plan**”), exchange such Debt for cash and shares (the “**Shares**”) in a new Alberta corporation (“**NewCo**”).

This document is confidential and intended for the sole use of the addressee. The advice contained herein is not intended to be, and may not be, relied upon or released to any person other than the addressee without the express written consent of Gowling Lafleur Henderson LLP.

This summary is based on the current provisions of the *Income Tax Act* (Canada) and regulations thereto (the “**Tax Act**”), and an understanding of the current administrative policies and assessing practices and policies of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is only applicable to CEF Depositors who, at all relevant times, for purposes of the Tax Act,

- (i) are, or are deemed to be, resident in Canada;
- (ii) deal at arm’s length with the District and NewCo, including, generally, District employees that do not control, directly or indirectly, in any manner whatsoever, either District or NewCo;
- (iii) are not affiliated with the District and NewCo;
- (iv) hold Shares acquired on the exchange of the Debt as capital property for purposes of the Tax Act;

(v) have not entered into, with respect to their Debt and Shares, a “derivative forward agreement”, as that term is defined in the Tax Act; and

(vi) in respect of the approximately 150 CEF Depositors that are member congregations (the “**Congregations**”), such CEF Depositors are either registered charities¹ or non-profit organizations² that are and will continue to be exempt from tax under the Tax Act.

Generally, the Debt and Shares will be capital property to a CEF Depositor provided the CEF Depositor does not acquire or hold such securities in the course of carrying on a business or as part of an adventure or concern in the nature of trade.

This summary is not applicable to a CEF Depositor:

(i) that is a “specified financial institution”, as that term is defined in the Tax Act;

(ii) an interest in which is a “tax shelter investment”, as that term is defined in the Tax Act;

(iii) that is, for purposes of certain rules (referred to as the mark-to-market rules) applicable to securities held by financial institutions, a “financial institution”, as that term is defined in the Tax Act; or

(iv) that reports its “Canadian tax results”, as that term is defined in the Tax Act, in a currency other than Canadian currency.

Such CEF Depositors should consult their own tax advisors.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular CEF Depositor. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, CEF Depositors should consult their own tax advisors having regard to their own particular circumstances.

1. Exchange of Debt for Cash and Shares

A CEF Depositor may realize a capital gain (or sustain a capital loss) upon the exchange of his or her Debt for cash and Shares to the extent that the proceeds of disposition (i.e. the amount of the cash and the “fair market value”³ (“**FMV**”) of the Shares received) therefor exceed (or are less than) the aggregate of that CEF Depositor’s adjusted cost base of the Debt, any accrued interest and any reasonable costs of the exchange. A CEF Depositor’s adjusted cost base of the Debt generally will be the CEF Depositor’s cost of the Debt, subject to certain adjustments in accordance with the Tax Act. The treatment of capital gains and losses is described below under the heading “Capital Gains and Losses”.

Upon a disposition of Debt, interest accrued thereon to the date of disposition will be included in computing the income of a CEF Depositor and will be excluded in computing the CEF Depositor’s

¹ As defined in subsection 248(1).

² Pursuant to paragraph 149(1)(l).

³ Generally, fair market value is understood to mean “the highest price an asset might reasonably be expected to bring if sold by the owner in the normal method applicable to the asset in question in the ordinary course of business in a market not exposed to any undue stresses and composed of willing buyers and willing sellers dealing at arm’s length and under no compulsion to buy or sell.” (*Henderson*, [1973] C.T.C. 636 (FCTD))

proceeds of disposition of the Debt. A CEF Depositor may be entitled to claim a deduction in an amount equal to the amount, if any, by which the amount of interest income reported for income tax purposes exceeds the amount of interest income actually received by the CEF Depositor. **CEF Depositors should consult their own tax advisors as to the availability of this deduction.**

Generally, there should be no tax consequences to a Congregation on the exchange of Debt for cash and Shares as a result of its tax exempt status.

2. Dividends on Shares

A CEF Depositor will be required to include in computing its income for a taxation year any dividends received (or deemed to be received) on the Shares.

In the case of a CEF Depositor that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated by NewCo as an eligible dividend in accordance with the provisions of the Tax Act.

A dividend received (or deemed to be received) by a CEF Depositor that is a corporation will generally be deductible in computing the corporation's taxable income. In certain circumstances, however, a dividend received (or deemed to be received) by a CEF Depositor that is a corporation will be deemed to be proceeds of a disposition or a capital gain. **CEF Depositors that are corporations should consult their own tax advisors having regard to their own particular circumstances.**

A CEF Depositor that is a "private corporation", as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a refundable tax of 38 1/3 % under Part IV of the Tax Act on dividends received (or deemed to be received) on the Shares to the extent such dividends are deductible in computing the CEF Depositor's taxable income for the taxation year.

Generally, a Congregation would not be subject to tax under the Tax Act on the receipt (or deemed receipt) of dividends on the Shares as a result of its tax exempt status.

3. Dispositions of Shares

Generally, on a disposition or deemed disposition of a Share, a CEF Depositor will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition (i.e. the amount of consideration received for the Share), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the CEF Depositor of such Share immediately before the disposition or deemed disposition.

At any particular time, the adjusted cost base to the CEF Depositor of a Share acquired pursuant to this Plan will be determined by averaging the cost of such share with the adjusted cost base of all other Shares owned by the CEF Depositor as capital property at that time, if any.

4. Capital Gains and Losses

Generally, a CEF Depositor is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized in the year. Subject to and in

accordance with the provisions of the Tax Act, a CEF Depositor is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized by the CEF Depositor in the year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

The amount of any capital loss realized by a CEF Depositor that is a corporation on the disposition of a Share may be reduced by the amount of any dividends received (or deemed to be received) by the CEF Depositor on such share to the extent and under the circumstances prescribed by the Tax Act.

Similar rules may apply where a Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. **Such CEF Depositors should consult their own tax advisors.**

Generally, a Congregation would not be subject to tax under the Tax Act on any gains realized on the disposition of Debt or Shares as a result of its tax exempt status.

5. Additional Refundable Tax

A CEF Depositor that is throughout the taxation year a “Canadian-controlled private corporation”, as defined in the Tax Act, is liable for tax, a portion of which may be refundable, on investment income, including interest income earned on the Debt, taxable capital gains realized on the disposition of the Debt and Shares, and dividends received or deemed to be received in respect of the Shares (but not dividends or deemed dividends that are deductible in computing taxable income). **Such CEF Depositors should consult their own tax advisors.**

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Schedule 4

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.