

July 8, 2015

Notice to Depositors of the Lutheran Church – Canada, the Alberta – British Columbia District (the “District”), including the Church Extension Fund, Encharis Community Housing and Services (“ECHS”), Encharis Management and Support Services and the Lutheran Church – Canada, the Alberta – British Columbia District Investments Ltd. (“DIL”, collectively the “District Group” or the “Applicants”)

As you are aware, the District Group obtained an Initial order under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the “CCAA”) on January 23, 2015. Deloitte Restructuring Inc. acts as the Monitor in the CCAA proceedings (the “Monitor”). The purpose of this correspondence is to provide creditors with an update as to recent events in the CCAA proceedings for the District Group.

As previously reported, information on the CCAA proceedings can be accessed on the Monitor’s website at www.insolvencies.deloitte.ca under link entitled “Lutheran Church – Canada, the Alberta – British Columbia District et. al.” or can be requested from the undersigned via telephone at (403) 298-5955 or via email at vanallen@deloitte.ca.

Recent Court Proceedings

The most recent applications to the Court of Queen’s Bench of Alberta (the “Court”) were made on June 26, 2015 (the “June 26 Hearing”), at which time the Court approved the following relief:

- Extending the stay of proceedings (the “Stay”) until August 31, 2015;
- Approving the sale of a condominium unit located in Richmond, British Columbia (the “Richmond Condo”);
- Confirming that the legal costs incurred by the District and DIL in dealing with the Alberta Securities Commission and the British Columbia Securities Commission will be included in the administration charge (the “Administration Charge”) granted in the Initial Order (subject to certain restrictions);
- Authorizing the District to make payments to the Lutheran Church – Canada for 35% of the total mission remittances received by the District for the pre-filing period and on a go-forward basis;
- Authorizing the future sale of lands owned by ECHS within the Prince of Peace development, which are subject to life leases in the event that the life lease resident(s) are to terminate or surrender their interest in the life lease;
- Sealing the Confidential Supplement to the Fourth Report of the Monitor and the Confidential Affidavit of Kurtis Robinson, both provided to the Court in advance of the June 26 Hearing;
- Increasing the number of representatives on the creditors’ committee for the District (the “District Committee”) from 5 to 6; and
- Securing the remuneration of the legal counsel for the District Committee and the legal counsel for the creditors’ committee for DIL (the “DIL Committee”) as part of the Administration Charge.

Potential Class Action Claimants

Mr. Randy Kellen and a group of additional depositors (the “Kellen Group”) have indicated a desire to commence proceedings against the directors and officers of the Applicants (the “Directors”). The Kellen Group had originally scheduled an application to be heard on July 18, 2015 (the “Kellen Application”) seeking to lift the Stay as against the Directors in order to allow them to pursue claim(s) for alleged breaches of fiduciary duties and negligence in the performance of the Directors’ duties (the “Kellen Claim”). The Kellen Group also sought the disclosure of contact information for depositors.

The Monitor believed that the Kellen Application was premature as insufficient information had been provided to allow the Monitor to consider the impact of the Kellen Claim on the CCAA proceedings. In addition, the District Committee and the DIL Committee (the "Committees") had already been appointed and some of the activities being undertaken by the Committees could have been negatively impacted by the Kellen Application. The Monitor was also concerned that should the Kellen Claim be advanced during the CCAA proceedings, it may cause additional confusion for depositors and could negatively impact the ability of the District Group and the Monitor to communicate with Depositors regarding the plans of arrangement to be filed in the CCAA proceedings (the "Plan(s)"). The Kellen Application has now been adjourned, with the consent of all parties, to an unscheduled future date.

The Committees

The Court Order granted on February 20, 2015 (the "Committee Order") approved a process whereby individuals could be appointed to the District Committee and to the DIL Committee. The role of the individuals on the Committees is not to canvas depositors at large but to serve in a fiduciary capacity in representing all unsecured creditors of either the District or DIL with a mandate to maximize the amount of money that is available for distribution to creditors.

The Committees were formed pursuant to the Committee Order and, to date, each of the Committees has held several meetings. At present, the focus of the Committees is to negotiate settlements related to the potential challenge of a mortgage held by DIL on a property located in Strathmore, Alberta and the priority of two mortgages registered against various properties in the Prince of Peace development as well as to provide input into the Plans and other issues related to the CCAA proceedings.

Sale of the District's Assets

To date, the Court has approved the sale of four real estate properties, in addition to the Richmond Condo (collectively the "Sale Lands"). The details of the transactions involving the Sale Lands have been sealed by the Court until such time as they have closed in order to avoid tainting any future sale process that may be required should any of these sales not be completed. Each of the transactions involving the Sale Lands has been reviewed by the Monitor in conjunction with Deloitte's real estate advisory group. Since its formation, the District Committee has also approved the sale of the Richmond Condo. All proceeds from the transactions involving the Sale Lands are being held in trust to be included in a Plan. Future sales of real estate properties will be subject to Monitor, District Committee and Court approval.

The Plans of Arrangement (the "Plans")

The District Group's efforts to formulate their Plans are ongoing. Drafts of the Plans have been prepared by the Applicants and are currently being circulated amongst the Monitor, the Monitor's legal counsel, the Applicants, the CRO and the Applicant's legal counsel following which the Draft Plans for each of the District and DIL will be forwarded to the respective Committees for further review and comment. The Monitor anticipates that the Applicants should be able to file their Plans prior to the expiry of the Stay. The Fourth Report of the Monitor details the items that need to be resolved prior to the Plans being filed.

Should you have additional questions, please contact the undersigned at 403-298-5955.

Yours truly,

DELOITTE RESTRUCTURING INC.

In its capacity as the Court-appointed Monitor 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. and not in its personal or corporate capacity



Per: Vanessa Allen, B. Comm, CIRP
Vice-President