



March 28, 2016

**FUTHER INFORMATION FOR CREDITORS OF THE DISTRICT  
THE DISTRICT'S PLAN OF COMPROMISE AND ARRANGEMENT (THE "DISTRICT PLAN")**

**THE BASICS AND WHAT YOU NEED TO DO**

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The following provides a brief outline of the basics of the District Plan and what you need to do prior to the meeting that is scheduled for Eligible Affected Creditors (as defined in the District Plan) to vote on the District Plan (the "District Meeting"). This document provides high level information only and it is recommended that Eligible Affected Creditors review the detailed information included in the Monitor's First Report to the Creditors of the District, dated March 28, 2016 (the "Monitor's Report"). Capitalized terms not otherwise defined herein shall have the meanings given to them in the Monitor's Report.

Our records indicate that you have a proven claim against the District, which is greater than \$5,000 and that you are an Eligible Affected Creditor who resides outside of Canada (a "Non-Resident Creditor"). If this is not the case, please contact our office and we will provide you with an additional hand-out related to the District Plan.

**The Basics of the District Plan**

The District Plan has been formulated by the District subject to input from the CRO, the creditors' committee established for the District (the "District Committee") and the Monitor. As further described below, the Monitor is supportive of the District Plan, which has also been approved by the District Committee. The Monitor is an officer of the Court, whose role includes providing Eligible Affected Creditors with sufficient information to consider the District Plan and reporting to Eligible Affected Creditors on the Monitor's view of the reasonableness and fairness of the District Plan. The following are the basics of the District Plan:

**Distributions to Eligible Affected Creditors**

Non-Resident Creditors will receive the following distributions:

1. The lesser of \$5,000 or the total amount of their claim (the "Convenience Payment(s)"), which will be paid upon the date that the District Plan takes effect. The Convenience Payments will be made net of any amounts that may have been paid to you pursuant to the emergency fund,

which was approved by the Court as part of the Initial Order granted on January 23, 2015 (the “Emergency Fund”).

2. A further cash distribution from the liquidation of the assets (the “Non-Core Assets”) held by the District, outside of the Prince of Peace Properties (as defined below). 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 from the sale of the Non-Core Assets. These cash distributions will be made net of any amounts that have previously been paid to you pursuant to the Emergency Fund.
3. Pursuant to the District Plan a distribution will be made to Eligible Affected Creditors, outside of the Non-Resident Creditors, in the form of shares (the “NewCo Shares”) in a new company (“Newco”) into which will be transferred the Harbour and Manor seniors’ care facilities, the surrounding development and expansion lands and the Prince of Peace church and school (the “Prince of Peace Properties”). In addition to the Prince of Peace Properties, assets held by ECHS and EMSS, including working capital, computer hardware, furniture and fixtures, a water treatment plant, medical equipment and a vehicle will be transferred into NewCo (the “ECHS and EMSS Assets”). The Prince of Peace Properties and the ECHS and EMSS Assets will collectively be referred to as the “NewCo Assets”. The NewCo Shares will be valued based on the value of the NewCo Assets and are currently anticipated to be valued at between 53% and 60% of District Depositors’ remaining proven claims after deducting the Convenience Payments.
4. The Non-Resident Creditors are not eligible to receive the NewCo Shares but will instead receive a cash distribution equal to the value of their pro-rata share of the NewCo Shares less a 20% discount. This discount reflects the fact that Non-Resident Creditors will be receiving cash ahead of other Eligible Affected Creditors and will not be subject to any of the investment or general business risks associated with becoming NewCo Shareholders. The Non-Resident Creditors are not eligible to receive NewCo Shares due to the significant costs involved in complying with securities legislation outside of Canada and creating the District Plan such that it is tax effective both within and outside of Canada.

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.

### **The Representative Action**

A process has been established so that one or more legal action(s), defined as the “Representative Action”, which can be undertaken as a class proceeding or otherwise, can be

undertaken on behalf of all District Depositors who choose to participate (the “Representative Class”).

The Representative Action will include claims by depositors of the District (the “District Depositors”) that are not paid under the District Plan, which claims could be advanced against the District’s current and former directors and officers and claims against third parties, which may include former auditors or legal counsel for the District. A potential source of recovery in such an action may be the District’s directors’ and officers’ liability insurance.

A subcommittee (the “Subcommittee”) will be appointed to choose a lawyer, who will specialize in class action proceedings or other forms of litigation, to represent the Representative Class in the Representative Action (the “Representative Counsel”) and to provide direction to the Representative Counsel on behalf of the Representative Class. The Subcommittee will likely consider multiple factors in choosing the Representative Counsel including each candidate’s experience, fee arrangements, (including willingness to act on a contingency basis) and litigation strategy. The Subcommittee will be made up of District Depositors, who will act in a fiduciary capacity on behalf of the Representative Class. Distributions to the Representative Class will be subject to the Representative Action Holdback, as further described below.

Under the District Plan one group, led by the Subcommittee, will pursue all legal proceedings on behalf of the District Depositors. There is no limitation on the type of legal actions, the number of legal actions or the jurisdictions in which legal actions can be commenced by that group. If the District Plan is approved, no legal proceedings may be commenced by any District Depositor outside of the Representative Action.

### **The Monitor’s view of the District Plan**

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 reasons outlined in the Monitor’s Report and set out below:

1. The Convenience Payments would be made immediately after the District Plan becomes effective. Following the Convenience Payments, approximately 1,001 Eligible Affected Creditors would continue to have outstanding proven claims.
2. The District would 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 and pursuant to various assumptions and events that may not materialize as expected, those Eligible Affected Creditors who have proven claims in excess

of the Convenience Payments may receive between approximately 15% and 20% of their remaining proven claims, after deducting the Convenience Payments, from the sale of the Non-Core Assets. If the District Plan was to fail, then the remaining unsold Non-Core Assets would likely be realized upon through forced sale liquidation conditions (i.e. through a receivership) and the Monitor estimates that the realizations could be 10% to 20% lower than they would be pursuant to the District Plan.

3. The NewCo Assets would be transferred into NewCo with Eligible Affected Creditors, with the exception of Non-Resident Creditors, receiving the NewCo Shares and becoming NewCo Shareholders. 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 Non-Resident Creditors will receive a distribution equal to the value of their pro-rata share of the NewCo Shares less a 20% discount, to reflect the fact that Non-Resident Creditors would be receiving cash ahead of other Eligible Affected Creditors and would not be subject to any general business risks or investment risks associated with becoming NewCo Shareholders. As previously noted these estimates are based on assumptions regarding future events and, as such, may vary and these variances may be material.
4. Should the District Plan fail, the Prince of Peace Properties and the ECHS and EMSS Assets would remain in ECHS and EMSS respectively. 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 and sell such properties, likely in a forced sale scenario, for the benefit of the Eligible Affected Creditors. It is also possible that the foreclosure proceedings may have 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.
5. The District Plan provides for a streamlined process for District Depositors to pursue the Representative Action Claims and may result in increased recoveries due to certainty that settlement or judgment would resolve any and all outstanding claims. It also prevents a situation where District Depositors are being contacted by multiple groups seeking to commence legal actions or where recoveries are complicated by multiple groups commencing legal actions against the same parties.
6. The District Committee has approved the District Plan.

**What you need to do:**

**Vote on the District Plan**

To vote on the District Plan you must do one of the following:

**Option 1**

Attend the District Meeting, which will be held at the following time and place:

Time: Saturday, May 14, 2016 at 10:00 a.m.

Location: MacLeod Hall, Telus Convention Centre, 120 9<sup>th</sup> Avenue SE, Calgary, AB.

**Option 2**

Appoint someone as your proxy by filling out the attached Proxy so that they can attend the District Meeting and vote on your behalf.

**Option 3**

Vote on the District Plan by filling out the attached Election Letter so that your vote can be recorded even if you cannot attend the District Meeting and you do not wish to appoint a proxy.

For clarity, if you do not vote on the District Plan using any of the options detailed above, your claim will not be counted in determining whether or not the District Plan has been approved by the required majority of Eligible Affected Creditors.

**To opt-in or opt-out of the Representative Action**

If you wish to opt-in to the Representative Action, you do not need to do anything. For clarity, unless you specifically opt-out of the Representative Action, you will automatically be deemed to have opted in to the Representative Action. You may opt-out of the Representative Action at any time prior to the commencement date of the Representative Action.

You can opt-out of the Representative Action by filling out the attached Notice of Opting Out. Those District Depositors, who have explicitly opted-out of the Representative Action will be forever barred from participating in the Representative Action, including receiving any proceeds that may become payable pursuant to the Representative Action. For clarity, opting out of the Representative Action does not affect the distributions available to District Depositors under the District Plan except in relation to the Representative Action Holdback (as defined below).

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 (the "Representative Action Holdback"). It will only be possible to estimate the value of the Representative Action Holdback once the Representative Counsel has been retained. Once the Representative Counsel has been retained, the Monitor will send further

information to those District Depositors who are participating in the Representative Action, including the names of the members of the Subcommittee, the name of the Representative Counsel, the estimated amount of the Representative Action Holdback (including a range of the anticipated holdback for individual District Depositors), 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, if costs will be incurred prior to the commencement of the Representative Action, the Monitor will 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. For clarity, additional information will be provided to District Depositors prior to them having to make a determination as to whether to remain in or opt-out of the Representative Action.

**If you are a minor**

Your legal guardian can vote on the District Plan using Option 1, Option 2 or Option 3 above and, if desired, complete a Notice of Opting Out in respect of the Representative Action on your behalf provided that they have filled out the attached Guardian's Acknowledgment of Responsibility. For clarity, if the legal guardian named in the Guardian's Acknowledgment of Responsibility is voting on behalf of a Minor, they are not required to complete a Form of Proxy,

**PROXY**

COURT FILE NUMBER 1501-00955  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
DOCUMENT PROXY FOR THE DISTRICT PLAN  
APPLICANTS LUTHERAN CHURCH – CANADA, THE ALBERTA –  
BRITISH COLUMBIA DISTRICT, ENCHARIS  
COMMUNITY HOUSING AND SERVICES, ENCHARIS  
MANAGEMENT AND SUPPORT SERVICES, AND  
LUTHERAN CHURCH – CANADA, THE ALBERTA –  
BRITISH COLUMBIA DISTRICT INVESTMENTS LTD.

I, \_\_\_\_\_ of \_\_\_\_\_, a creditor in the above matter, hereby appoint \_\_\_\_\_ of \_\_\_\_\_, (person you want to appoint) to be my proxyholder in the above matter, except as to the receipt of any distributions pursuant to the District Plan (with or without) power to appoint another proxyholder in his or her place.

The above named proxyholder shall attend on behalf of and act for me at the District Creditors' Meeting to be held in connection with the District Plan and at any and all adjournments, postponements or other rescheduling of the Creditors' Meeting, and vote the amount of my Claim(s) as follows:

1. (mark one only):

Vote **FOR** approval of the resolution to accept the District Plan; or

Vote **AGAINST** approval of the resolution to accept the District Plan.

**IF A BOX IS NOT MARKED AS A VOTE FOR OR AGAINST APPROVAL OF THE PLAN, THEN THE PROXYHOLDER SHALL VOTE AT HIS/HER DISCRETION.**

and

2. Vote at his/her discretion and otherwise act for and on behalf of me with respect to any amendments or variations to the matters identified in the notice of the District Creditors' Meeting and in the District Plan, and with respect to other matters that may properly come before the District Creditors' Meeting.

**THIS PROXY, ONCE DULY COMPLETED, DATED AND SIGNED, MUST BE SENT TO THE MONITOR BY EMAIL, MAIL, FACSIMILE TRANSMISSION OR COURIER, AND BE RECEIVED BY THE MONITOR BY NO LATER THAN 5:00 P.M. (CALGARY TIME) ON MAY 13, 2016 OR SUCH LATER DATE AS MAY BE THE LAST BUSINESS DAY PRIOR TO THE DATE THE DISTRICT CREDITORS' MEETING HAS BEEN ADJOURNED TO, OR DELIVERED BY HAND TO THE CHAIR OF THE DISTRICT CREDITORS' MEETING PRIOR THE COMMENCEMENT OF THE DISTRICT CREDITORS' MEETING. AFTER COMMENCEMENT OF THE DISTRICT CREDITORS' MEETING (OR ANY ADJOURNMENT THEREOF), NO PROXIES CAN BE ACCEPTED BY THE MONITOR.**

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

\_\_\_\_\_  
Name and Title of Signing Officer

Return to:

Deloitte Restructuring Inc., Monitor  
700 Bankers Court, 850 – 2<sup>nd</sup> Street SW  
Calgary, Alberta T2P 0R8

Phone: (587) 293-3203 Fax: (403) 718-3681  
Email: CalgaryRestructuring@deloitte.ca



**ELECTION LETTER**

COURT FILE NUMBER 1501-00955  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
DOCUMENT ELECTION LETTER FOR DISTRICT PLAN  
APPLICANTS LUTHERAN CHURCH – CANADA, THE ALBERTA – BRITISH COLUMBIA DISTRICT, ENCHARIS COMMUNITY HOUSING AND SERVICES, ENCHARIS MANAGEMENT AND SUPPORT SERVICES, AND LUTHERAN CHURCH – CANADA, THE ALBERTA – BRITISH COLUMBIA DISTRICT INVESTMENTS LTD.

**THIS ELECTION LETTER SHALL BE VOTED IN ACCORDANCE WITH THE INSTRUCTIONS STATED BELOW EVEN THOUGH THE PLAN PRESENTED BY THE DISTRICT MAY BE MODIFIED OR AMENDED IN ACCORDANCE WITH THE TERMS OF THE DISTRICT PLAN BEFORE OR AT THE DISTRICT CREDITORS' MEETING, OR AFTER THE CREDITORS' MEETING WITH THE APPROVAL OF THE COURT. SUCH AMENDMENT, MODIFICATION OR SUPPLEMENT WOULD BE LIMITED TO THOSE THAT ARE ADMINISTRATIVE IN NATURE, THAT ARE NOT ADVERSE TO THE FINANCIAL OR ECONOMIC INTERESTS OF ANY OF THE DISTRICT AFFECTED CREDITORS UNDER THE DISTRICT PLAN AND IS NECESSARY IN ORDER TO GIVE BETTER EFFECT TO THE SUBSTANCE OR IMPLEMENTATION OF THE DISTRICT PLAN OR THE SANCTION ORDER.**

**Voting**

I, \_\_\_\_\_ a creditor (or I \_\_\_\_\_, representative of \_\_\_\_\_, a creditor), in the above matter for the sum of \$\_\_\_\_\_ hereby request the Monitor to record my vote respecting the District Plan, originally dated February 12, 2016 and filed on February 16, 2016 with a third amended version being dated March 21, 2016 and filed on March 22, 2016, as may be further amended from time to time (references to the District Plan will include all subsequent amendments) as follows:

(mark one only):

- Vote **FOR** approval of the resolution to accept the District Plan; or
- Vote **AGAINST** approval of the resolution to accept the District Plan.

**IF A BOX IS NOT MARKED AS A VOTE FOR OR AGAINST APPROVAL OF THE DISTRICT PLAN, YOUR VOTE SHALL BE DEEMED TO BE A VOTE FOR APPROVAL OF THE PLAN.**

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor OR Minor

\_\_\_\_\_  
Name and Title of Signing Officer OR Guardian

Return to:

Deloitte Restructuring Inc., Monitor  
700 Bankers Court, 850 – 2<sup>nd</sup> Street SW  
Calgary, AB T2P 0R8  
Phone: (587) 293-3203 Fax: (403) 718-3681  
Email: CalgaryRestructuring@deloitte.ca

**Notice of Opting Out**

**COURT FILE NUMBER** 1501-00955

**COURT** COURT OF QUEEN'S BENCH OF ALBERTA

**JUDICIAL CENTRE** CALGARY

**DOCUMENT** NOTICE OF OPTING OUT

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

I, \_\_\_\_\_ a creditor (or I \_\_\_\_\_, representative of \_\_\_\_\_, a creditor), in the above matter hereby request Representative Counsel (or in the event that Representative Counsel is not retained, the Monitor) take notice that I shall not or shall no longer participate in the Representative Action.

I acknowledge that by signing this document, I am:

- a. waiving all rights as a participant within the Representative Action Claim(s);
- a. to be removed from the members of the Representative Action Class;
- b. not entitled to any further notice of or information regarding the Representative Action, save what is available on the public record;
- c. forever barred from participating in the Representative Action;
- d. not entitled to receive any recovery of any kind, including but not limited to a dividend or distribution under the Plan, that is payable out of proceeds recovered pursuant to the Representative Action; and
- e. not eligible to be a member of any "class" pursuant to the *Class Proceedings Act*, R.S.B.C. 1996, c. 50 (British Columbia) and *Class Proceedings Act*, S.A. 2003, c. C-16.5, as amended by the *Class Proceedings Amendment Act, 2010*, c. 15 (Alberta), or any legislation of similar purpose or intent in any Canadian Province or Territory, or State of the United States except for any representative action commenced pursuant to the DIL plan of compromise and arrangement, if applicable.

**THIS NOTICE, ONCE DULY COMPLETED, DATED AND SIGNED, MUST BE SENT TO THE REPRESENTATIVE COUNSEL, OR IF THERE IS NO REPRESENTATIVE COUNSEL THEN TO THE MONITOR, BY MAIL, FACSIMILE TRANSMISSION OR COURIER, AND UPON THE DATE OF RECEIPT SHALL BE DEEMED ACCEPTED AND ENFORCEABLE.**

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

\_\_\_\_\_  
Name and Title of Signing Officer

Return to:  
Representative Counsel

Or:  
Deloitte Restructuring Inc., Monitor  
700 Bankers Court, 850 – 2<sup>nd</sup> Street SW  
Calgary, AB T2P 0R8  
Phone: (587) 293-3203 Fax: (403) 718-3681  
Email: CalgaryRestructuring@deloitte.ca

## Guardian's Acknowledgment of Responsibility

This acknowledgment of responsibility is given by:

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1 This acknowledgment of responsibility relates to the minor,  
\_\_\_\_\_ (name of minor), who was born on  
\_\_\_\_\_ (day, month, year).

2 I am the minor's guardian because I am

- the minor's mother or father
- appointed guardian by the deed or will of the minor's parent,  
\_\_\_\_\_ (name of parent), who is now deceased
- appointed guardian by a court order dated  
\_\_\_\_\_ (date of guardianship order).

3 I have the power and responsibility to make day-to-day decisions affecting the minor.

Date \_\_\_\_\_

Guardian's Signature \_\_\_\_\_

Witness \_\_\_\_\_