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

JUDICIAL CENTRE **CALGARY**

DOCUMENT **SUPPLEMENT TO THE THIRTY-NINTH REPORT OF THE MONITOR**

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

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

DATED AUGUST 21, 2020

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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Introduction and Notice to Reader

Introduction

1. On January 23, 2015 (the "**Filing Date**"), 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. Depositors to DIL will be referred to as the "DIL Depositors".
3. The Initial Order provided for an initial stay of proceedings (the "**Stay**") until February 20, 2015. The Court subsequently granted nine (9) extensions of the Stay. The most recent order was granted at an application on September 2, 2016 and extended the Stay until the earlier of December 31, 2016, or the date on which Certificates of Plan Termination (the "**Certificate(s)**") were filed signaling the completion of the plans of compromise and arrangement for all of the District (the "**District Plan**"), DIL (the "**DIL Plan**"), ECHS (the "**ECHS Plan**") and EMSS (the "**EMSS Plan**"), all as subsequently amended (collectively the "**Applicants' Plans**").
4. On November 15, 2016, the Applicants' legal counsel wrote a letter to the Court (the "**Stay Letter**") noting that the Monitor would not be in a position to file the Certificates by December 31, 2016. The Stay Letter also noted that the Sanction Orders granted in respect of the Applicants' Plans extended the Stay until the Certificates were filed and that, as a result, another Court application was not necessary to extend the Stay. On October 25, 2017, the Court granted two Orders partially lifting the Stay (the "**Stay Orders**") to allow the legal actions undertaken on behalf of participating District and DIL Depositors (the "**Representative Actions**") to proceed.
5. 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 prepared thirty-eight reports dated between February 17, 2015 and November 26, 2019 (collectively, the "**Reports**").
6. The Monitor also filed confidential supplements to the Second Report of the Monitor, dated March 23, 2015, the Fourth Report of the Monitor dated June 24, 2015, the Fifth Report of the Monitor dated August 24, 2015, the Fifteenth Report of the Monitor dated February 25, 2016, the Seventeenth Report of the Monitor dated March 18, 2016 and the Twenty-Eighth Report of the Monitor dated May 24, 2017 (collectively the "**Supplements**"). The Supplements have been sealed by the Court.
7. In addition to 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**"), a First Report to the Creditors of DIL dated December 8, 2015 (the "**DIL Report**") and a First Report to the Creditors of the District dated March 28, 2016 (the "**District Report**"). The Encharis, DIL and District Reports were prepared to provide creditors of the corresponding entities with specific information related to the Applicants' Plans.
8. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Reports and in the Supplements.

9. Information on the CCAA proceedings can be accessed on Deloitte's website (the "**Monitor's Website**") at www.insolvencies.deloitte.ca under the link entitled "Lutheran Church – Canada, the Alberta – British Columbia District et. al."

Notice to Reader

10. 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 former Chief Restructuring Officer (the "**CRO**"), interested parties and stakeholders.
11. The financial information of the Applicants has not been audited, reviewed or otherwise verified by the Monitor as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about the Applicants. Additionally, none of the Monitor's procedures were intended to disclose defalcations or other irregularities. If the Monitor were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Monitor's attention. Accordingly, the Monitor does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.
12. 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. Any use, which any party makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.
13. All amounts included herein are in Canadian dollars unless otherwise stated.

Court Applications

14. This report represents the supplement to the thirty-ninth report of the Monitor (the "**Supplement to the Thirty-Ninth Report**"). The Supplement to the Thirty-Ninth Report is being prepared to provide the Court with additional information and amendments regarding applications by the District and the Monitor, which are scheduled to be heard by the Court on August 24, 2020.
15. The Supplement to the Thirty-Ninth Report should be read in conjunction with the thirty-ninth report filed on Aug 17, 2020 (the "**Thirty-Ninth Report**").

ASC settlement

16. In the Thirty-Ninth Report, the Monitor proposes that all ASC Settlement Funds of \$500,000 be distributed to only to the District Depositors. The reasons are described in detail in paragraph 21 of the Thirty-Ninth Report.
17. In addition to the reasons described in the Thirty Ninth Report, the Monitor also notes that based upon calculations of the proportional entitlement of DIL investors compared to District investors to such settlement funds (calculated based upon their proportionate shortfalls on their investments), DIL Investors would be entitled to receive no more than 20.64% of the ASC Settlement Funds, totalling approximately \$103,200 as a group. The \$103,200 fund would bear the entire cost of issuing cheques to DIL investors (approximately 1,115 individuals), including the considerable cost and expense associated with the tax issues previously identified. Accordingly, the average cheque per individual would be in or around \$93 if such amounts were to be paid evenly amongst them, prior to deducting the significant costs of distribution. As such, the Monitor proposes that the ASC Settlement Funds to be distributed to the District Depositors only.

Revision to the proposed Final District Distribution

18. Subsequent to the filing of the Thirty-Ninth Report, the District brought to the Monitor's attention that certain restructuring costs that were incurred by District and have yet to be reimbursed. In particular, the District is requesting \$175,000 be reimbursed for restructuring costs paid in 2019 and early 2020.
19. The District Plan contemplates that the restructuring costs incurred by District would be paid from the restructuring holdback as described in section 4.4.3 of the District Plan (the "**Restructuring Holdback**"). The Restructuring Holdback is an authorized deduction from the "Payment Pool" under the District Plan, into which sale proceeds from Non-Core Assets are paid.
20. The Monitor and the former CRO reviewed the reconciliations and supporting documents for the \$175,000 reimbursement claim that otherwise would have been paid out of a Restructuring Holdback. The Monitor and the former CRO determined that the proposed reimbursement is reasonable, would constitute a Restructuring Holdback amount if such amounts had not been paid by the District, and therefore should be reimbursed to the District
21. Furthermore, an amount of \$300,000 was paid in June 2019 from the funds held in trust by District's counsel for reimbursement of restructuring costs paid in 2018 and first half of 2019.

22. As such, below is the revised proposed Final District Distribution amount (as referred to paragraph 34 of the Thirty-Ninth Report) (the “**Revised Final District Distribution**”):

	Amount (CAD \$)	Notes
Funds on hand		
Faskens trust account	1,434,012	1
Cassels trust account	502,556	2
CEF BMO bank account	111,787	3
Brokerage account	11,250	
Total funds on hand	2,059,605	
Estimated future disbursements		
Monitor's legal fees (Cassels)	(44,625)	4
District's legal fees (Fasken)	(45,150)	5
Monitor's fees (Deloitte)	(27,300)	6
Staffing costs	(15,000)	7
Total disbursements	(132,075)	
Estimated funds for distribution	1,927,530	
Notes		
1. Funds held by Faskens which includes proceeds from the sale of the Tuscany Lands and Rockford (net of the 25.61% of proceeds payable to the Foothills congregation). The funds held by Faskens for distribution excludes the Restructuring Holdback of approximately \$175,000.		
2. Funds held by Cassels includes the \$500,000 proceeds from the ASC settlement.		
3. Balance includes \$25,840 of Unclaimed Distributions.		
4. Monitor's counsel is currently owed approximately \$7,600 in unpaid fees and estimates a further \$35,000 (excluding sales tax) to discharge.		
5. Incurred fees of \$17,225 and estimate a further \$25,000 (excluding sales tax) to complete the CCAA proceeding.		
6. The Monitor is currently owed \$6,000 in unpaid fees and estimates a further \$20,000 (excluding sales tax) to discharge.		
7. Estimated costs to retain staff to complete the final distribution process, including updating depositor lists, issuing cheques and monitoring presentations.		

23. As described in paragraph 35 (a) of the Thirty-Ninth Report, the distribution of the remaining funds is revised from \$2.1 million to approximately \$1.9 million (subject to final reconciliations and adjustments) on hand and held in trust to the District Depositors.

Amended Final District Distribution dates

24. As described in paragraph 46 (b) (i) of the Thirty-Ninth Report, the date of the Final District Distribution will need to be amended such that it is made on or before October 31, 2020. The basis for the amended timing is that the District's consultants making the distribution have limited availability in September 2020 to facilitate the distribution. Accordingly, the District Depositors will have no more than 90 calendar days from the date of the amended Final Distribution Notice (estimated to be no later than January 31, 2020) to redeem their distribution.

Conclusion

25. The Supplement to the Thirty-Ninth Report has been prepared to provide the Court with amended information in regards to the proposed Final District Distribution amount and the proposed dates of the Final District Distribution.

* * *

All of which is respectfully submitted at Calgary, Alberta this 21st day of August 2020.

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



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