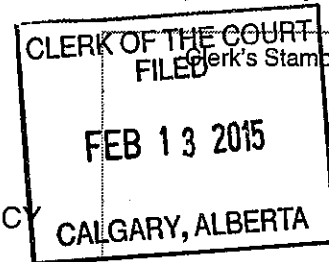


COURT FILE NUMBER 1501-00955
COURT COURT OF QUEEN'S BENCH
OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTRE CALGARY



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

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.

DOCUMENT AFFIDAVIT

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT Bishop & McKenzie LLP
Barristers & Solicitors
1700, 530 - 8th Avenue SW
Calgary, Alberta T2P 3S8

Attention: Francis N. J. Taman

Telephone: 403-237-5550
Fax : 403-243-3623

File No.: 103,007-003

AFFIDAVIT OF KURTIS ROBINSON
Sworn on February 13, 2015

I, KURTIS ROBINSON, of Airdrie, Alberta, SWEAR AND SAY THAT:

1. I am an Officer of the Applicants and I am authorized by all of the Applicants to depose this Affidavit and do so on their behalf. I have personal knowledge of the matters hereinafter deposed, except where stated to be based on information and belief, and where so stated, I verily believe them to be true.

2. All capitalized terms used in this Affidavit shall have the meaning ascribed to them in the Affidavit sworn by myself and filed in these proceedings on January 23, 2015 (the "Initial Affidavit") unless otherwise indicated in this Affidavit.

RELIEF REQUESTED

3. I make this Affidavit in support of the Application for the following relief:
- (a) granting an extension to the Stay Period in these proceedings under the provisions of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("CCAA") from the current expiry date of February 20, 2015 to May 20, 2015;
 - (b) approving a claims process;
 - (c) subject to further approval of the Court and the Monitor, permitting the District and DIL to appoint a Chief Restructuring Officer (the "CRO") and setting the general powers and duties of the CRO;
 - (d) authorizing the inclusion of the members of the Joint Restructuring Committee (as defined below) in the Directors' and Officers' indemnity and charge that was granted by the Initial Order granted by the Honourable Justice K.D. Yamauchi on January 23, 2015 (the "Initial Order");
 - (e) authorizing the District to make payment for January 2015 and ongoing monthly payments to Lutheran Church - Canada ("LCC") respecting its normal mission remittances to LCC and setting the terms of such payments;
 - (f) authorizing the Applicants to make payment to Shannon's Services Management Corp., who was previously declared to be a Critical Supplier, for goods and services provided by it to the Applicants for the period of January 1, 2015 to January 22, 2015;
 - (g) declaring Pure Elements Environmental Solutions (the "Proposed Critical Supplier") to be a Critical Supplier, pursuant to the terms of the Initial Order;
 - (h) authorizing the subdivision of a portion of the lands in the Prince of Peace Development; and
 - (i) the other relief as requested in the Application.

4. I am advised by the Monitor that the First Report of the Monitor will be finalized toward the end of the week of February 9, 2015. I will review the First Report of the Monitor and, if necessary, a supplemental Affidavit will be prepared to provide any additional information necessary in support of the within Application.
5. Since the date of the Initial Order, the Applicants have worked closely with the Monitor and have moved as quickly as circumstances have permitted to stabilize their operations, communicate with stakeholders, and put processes in place to further develop a viable restructuring plan to enable the Applicants to emerge from these proceedings.

COMMUNICATIONS WITH DEPOSITORS

6. Prior to the Initial Order, the District established a website at www.abcdistrict.ca and a call centre at 1-888-295-0638, where information about the status of the District has been posted and where people can ask questions.
7. On January 26, 2015, the Monitor served a notice respecting these CCAA proceedings via regular mail, on all of the known Depositors and known creditors that were owed more than \$1,000. Attached hereto and marked as **Exhibit "A"** is a copy of the form notice that was sent.
8. The Applicants also sent a letter to the Depositors by regular mail advising them of the CCAA proceedings on January 26, 2015. Attached hereto and marked as **Exhibit "B"** is a copy of the form letter that was sent.
9. In addition, the District sent communications to the pastors of the congregations and CEF representatives advising them of the CCAA proceedings.
10. The District has also been responding to emails and telephone calls received from the Depositors and others with questions about their accounts and the process.
11. The Monitor has established a website which provides a current update of the Applicants' restructuring, as well as making available most of the filings and other related documents that the Applicants are using in these proceedings. The address of the Monitor's website is www.insolvencies.deloitte.ca.

12. The District is also continuing to maintain its website which provides a current update of the Applicants' restructuring, as well as making available the filings and other related documents that the Applicants are using in these proceedings.
13. I am advised by Bishop & McKenzie LLP, legal counsel for the Applicants, that on February 9, 2015, Bishop & McKenzie LLP was contacted by legal counsel for the Office of the Public Trustee. The Office of the Public Trustee advised that they do not wish to be served with any of the claims or voting materials, but do wish to be served with any application that is brought before the Court for approval of a Plan of Compromise or Arrangement. The Office of the Public Trustee advised that they do not get involved in the process until such time as a settlement of a minor's claim has been reached and they may choose to attend Court or take a position at the time of this latter Court application.

STATUS OF RESTRUCTURING PLAN

14. Prior to the Initial Order, the District had established a restructuring committee which had a mandate to review the current financial status of the District and consider what options there were for restructuring or liquidating. This restructuring committee recommended to the District a possible plan of converting the debt owed by ECHS to the District to equity in a limited partnership. Certain "core" assets owned by ECHS, which would include the Manor and the Harbour, would be sold to the limited partnership. Other "non-core" assets would continue to be held by the District and sold when value was optimal.
15. The limited partnership would also aim to sell some of the core assets when value was optimal. Meanwhile, the Manor and Harbour would continue operating. Diversicare, which was mentioned in the Initial Affidavit, would continue in its management capacity of the Manor and the Harbour and work towards optimizing the business operations, which would add further value to the lands and business as a going concern. The limited partnership would also consider building infrastructure to obtain water to the Prince of Peace Development, which would bring increased income and value to the lands and business operations.
16. While the District's original restructuring committee considered the financial aspects of a possible restructuring plan, it was not mandated to consider in depth how the ministry aspects of the District's operations would look after restructuring occurred.

17. Before bringing this limited partnership plan to the Board of Directors for ECHS and EMSS, the District felt that it was prudent to go before the CEF Depositors to determine whether there was a preference for the District to proceed further with the development of this plan, or whether the CEF Depositors preferred for the District to proceed to liquidate. As mentioned in the Initial Affidavit, meetings were held with the CEF Depositors on January 15 and 16, 2015.
18. After the meeting, the District did a tally of the preferences and reported the results to the CEF Depositors on the District's website mentioned above. Since then, the District has performed a more in depth analysis of the results.
19. There are 2,674 CEF Depositors. 949 people attended the meetings on January 15 and 16, 2015. The CEF Depositors were asked to submit their preference in one of the following ways: (i) on a card handed out at the meeting, (ii) by phoning into the toll free number mentioned above, (iii) by emailing, or (iv) by submission through the District's website mentioned above.
20. A total of 902 preferences were submitted. There were 80 preferences submitted that were not from people who are CEF Depositors. There were also 2 congregations who are CEF Depositors that took separate polls of their congregation members. These congregations then submitted the individual preferences of their congregation members. These non-CEF Depositors and the individual preferences from those 2 congregations were initially recorded as part of the 902 preferences submitted.
21. For the purposes of the below calculations, those 2 congregations have been counted as 1 vote each, with the preference being expressed for that congregation as what the majority congregational members preferred. The preferences for non-CEF Depositors have also been removed.
22. After these adjustments are made, the total preferences submitted were 694. The total dollar value of the accounts is \$59,721,663.95 (the "Voting Dollar Value").
23. The following results were tallied:
 - (a) 145 people (20.9% of the people) stated a preference to liquidate. The dollar value of these people's accounts totals \$13,014,963.75, which is approximately 22% of the Voting Dollar Value.

- (b) 473 people (68.1% of the people) stated a preference to explore restructuring further. The dollar value of these people's accounts totals \$37,667,823.94, which is approximately 63% of the Voting Dollar Value.
- (c) 76 people (11% of the people) stated that they needed more information before they could express any preference. The dollar value of these people's accounts totals \$9,038,876.26 of the Voting Dollar Value.

24. Based upon these results, the Applicants believe that it is appropriate for them to be moving forward to finalizing a formal Plan of Compromise or Arrangement and to hold a formal creditors' vote on the Plan. In order to do so, in this application, the Applicants have developed a formal claims process. The Applicants are also proceeding with the appointment of a Joint Restructuring Committee, discussed further below, so that the future operations of the District, including the future of CEF, and DIL can be considered in light of the proposed limited partnership. The District and DIL would also like to proceed with the appointment of a Chief Restructuring Officer ("CRO") in order to further develop and finalize the Plan of Compromise or Arrangement. Finally, the Applicants support the Monitor's application for the development of a creditors' committee, which will work with the Joint Restructuring Committee and the CRO to further develop and finalize the Plan of Compromise or Arrangement.

LIFE LEASES

- 25. In further development of the Plan, ECHS has had discussions with the Monitor and held meetings with the life lease residents (the "Residents") regarding the life leases in the Prince of Peace Village, and the other fee simple residents in the Prince of Peace Village. ECHS believes that it would be in the best interests of the Residents to have the life leases converted to fee simple ownership with the owner of the condominium unit being the Resident. The Monitor is supportive of this process.
- 26. The Concentra Mortgages are currently registered against the condominium units held by ECHS. Typically, as the condominium units were being sold to a fee simple interest, the Concentra Mortgages were being discharged against those units.
- 27. Until a Plan is approved by the creditors and Residents, if a Resident dies or surrenders his lease, ECHS will proceed to market the condominium unit as it would in the normal course of business. This would involve obtaining an appraisal of the unit, and then marketing the unit for sale as a fee simple interest. Once an offer is received, ECHS

would consult with the Resident. After considering the comments of the Resident, ECHS would determine whether the offer would be accepted. Upon closing of the sale, 5% would be deducted from the amount to be paid to the Resident (the "Surrender Fee"). The Surrender Fee represents the fee that is payable at the end of the life lease term in accordance with the terms of the life leases. The Surrender Fee would be applied to legal costs for completing the sale transaction, commissions for selling the condominium unit, and the balance would be paid to Concentra in exchange for a discharge of the Concentra Mortgages against that condominium unit.

28. As part of the Plan, it is anticipated that all of the remaining condominium units owned by ECHS would be converted to fee simple. The tax assessed cost would be used in place of obtaining an appraisal for each individual condominium unit in order to minimize the cost involved in the conversion. The Surrender Fee would be 5% of the tax assessed cost of the individual condominium unit. The Concentra Mortgages would be discharged from the condominium units, and replaced with a new mortgage to Concentra for the amount of the Surrender Fee. This new mortgage would be interest free and would be payable when the Resident sold the condominium unit to a third party, or earlier if the Resident chose to do so.
29. ECHS has been advised by the Residents that a number of them are not able to afford the immediate payment of the Surrender Fee when the life leases are converted to a fee simple interest as many of them are on limited incomes. Allowing the registration of new mortgages to Concentra would allow the conversion to fee simple to occur, while providing consideration to Concentra for the discharge of the Concentra Mortgages. It would also protect the interests of the DIL Depositors for the Surrender Fee.
30. It is estimated that the Surrender Fee will be \$16,000 per unit, with the estimated net amount being paid to Concentra being approximately \$8,500 per unit. As there are currently, 61 life leases that would be converted to fee simple interest, this would result in an estimated amount of \$518,500 being provided to Concentra for the benefit of the DIL Depositors.

JOINT RESTRUCTURING COMMITTEE

31. Because the original restructuring committee only consisted of members appointed by the District, the Applicants considered it prudent to appoint a new joint restructuring committee to represent the interests of each of the Applicants (the "Joint Restructuring Committee").

32. On January 28, 2015, the District Board of Directors authorized the appointment of a Joint Restructuring Committee. The appointment of the Joint Restructuring Committee was also authorized by ECHS and EMSS on February 4, 2015, and by DIL on February 2, 2015.
33. The Joint Restructuring Committee will be comprised of 3 members, being one representative from each of the District and DIL, and one representative for ECHS and EMSS. The mandate of the Joint Restructuring Committee will be to, among other things:
 - (a) provide overall direction on the restructuring on behalf of each of the Applicants;
 - (b) develop the basic outline of the Plan of Compromise or Arrangement with the assistance of advisors, such as the Monitor, the CRO, and legal counsel;
 - (c) report to the Applicants' Boards of Directors with respect to the progress of the restructuring and confirm that the Boards support the direction of the development;
 - (d) to make decisions regarding the proposed Plan of Compromise or Arrangement and to provide direction to the advisory and legal team of the Applicants;
 - (e) to provide instructions to legal counsel respecting procedural matters during the Court process, and carrying on additional depositor meetings.
34. Marvin Mutschler has been appointed to the Joint Restructuring Committee to represent ECHS and EMSS. William Ney has been appointed to represent the District. Robert McGowan has been appointed to represent DIL.
35. With the exception of Mr. Mutschler, the members of the Joint Restructuring Committee are not Directors or Officers of the Applicants. It is the Applicants' view that it is appropriate for the members of the Joint Restructuring Committee to be covered by the Directors' and Officers' indemnification and charge that was granted under the Initial Order. They will play an important role in the restructuring, just as the Directors' and Officers' will.
36. As soon as possible after the Joint Restructuring Committee has been appointed, and the CRO, as discussed further below, the Joint Restructuring Committee will be moving

forward to further developing the initial restructuring plan contemplated by the District's original restructuring committee, both from a financial and ministry perspective.

CREDITOR COMMITTEE

37. On January 28, 2015, the District Board of Directors also passed a resolution to support the Monitor's application to appoint a creditor committee. Through its communications with the Depositors, there has been an expression of interest for more creditor involvement in the CCAA process. Given the number of Depositors, the District agrees that a creditor committee would be appropriate to facilitate creditor involvement.

CHIEF RESTRUCTURING OFFICER

38. On January 28, 2015, the District Board of Directors authorized the appointment of a joint CRO with DIL.
39. On February 2, 2015, the DIL Board of Directors also authorized the appointment of a joint CRO with the District.
40. The authorization for the appointment of a CRO was done based upon advice received from the Monitor and legal counsel. The Applicants' view is that the CRO should be appointed for the District and DIL in order to provide additional, independent business and insolvency experience to facilitate the restructuring and streamline both business procedures and ministry operations, so that District and DIL can respectively emerge as a stronger charitable organization and not-for-profit organization.
41. Diversicare has already taken over management of EMSS and is responsible for the day to day operations of the Manor and Harbour with a view to optimizing those businesses. Although the land held by ECHS will form an integral part of the proposed limited partnership plan that is being contemplated by the Applicants, ECHS, is essentially a subsidiary of District and as such will cooperate in the restructuring. It is not currently carrying on any active development business with respect to the lands. As such, it is currently a passive holding corporation and in the view of the Applicants at this point in time, it is not necessary for the CRO to be appointed for EMSS and ECHS.
42. The District and DIL, subject to future consultation with the Monitor, is in the process of reviewing and considering people for the position of CRO through a request for qualifications process. The District and DIL are proposing to make a further application to the Court to have the CRO named once the request for qualifications process is

completed. It is anticipated that this application will occur in March 2015, and it is requested that the Court set a specific date for this application to be heard. As of February 10, 2015, the request for qualifications document had been sent to 4 CRO candidates.

43. It is proposed that the general powers and duties for the CRO be as stated in the form of Order attached as Schedule "A" to the Application (the "Proposed Order").
44. I believe that the CRO will be able to provide assistance to the Applicants in guiding them through the restructuring process, and that it would restore confidence to the Depositors which would allow the Applicants, as a group, to emerge as stronger corporate charities and not-for-profit organizations.

CLAIMS PROCESS

45. Since the Initial Order, one of the priority items for the Applicants has been to develop a claims process. Through the District's website, and through emails and telephone calls the District has received, many people have:
 - (a) wanted to know the value of their account as the last statements sent out were for the end of 2013;
 - (b) wanted to know whether they could donate their claim either to the District or to their congregation; or
 - (c) wanted to know how to assign their claim to a third party, such as a member congregation of the District.
46. The Applicants have worked with the Monitor in developing the Claims Process described in the Proposed Order.
47. As many of the Depositors are elderly, or do not know the value of their account as of the date of the Initial Order, a reverse claims process has been developed for these Claimants. In most cases, the District is fully aware of the amount and nature of their claims. I do not believe that there would be a requirement for additional documentation from those Claimants in order to be able to determine the validity of their claims.

48. In addition, as outlined above, the Residents are anticipated to have contingent claims with respect to some of the obligations of ECHS with respect to their leases which will need to be resolved as part of the process. Again, some of the Residents are elderly and ECHS is fully aware of the nature of their claim. They will not have any independent idea as to the value of their claim due to its contingent nature and the documentation in support of their claims is either in the hands of ECHS or it is easily accessible from public records.
49. In the reverse claims process, the Depositors will be provided with a statement reflecting the value of their account as of January 22, 2015. The statements provided to the DIL Depositors will also include the original value of their investment and the value after a preliminary write-down has been recorded to take into consideration the fact that selected loans within DIL are not deemed to be collectible. Attached hereto and marked as **Exhibit "C"** is a copy of the form letter from Deloitte to the DIL Depositors dated February 1, 2015 regarding the preliminary write-down to their accounts.
50. In the reverse claims process, Residents will be provided with the tax assessed value of the condominium unit that they are residing in and a calculation of the value of their contingent claim based upon the tax assessed value less 5%. The 5% represents the fee that is payable at the end of the life lease term in accordance with the terms of the life leases (i.e. the "Surrender Fee" also discussed above).
51. If the Depositors and the Residents agree with the value presented on their proof of claim form, then they do not need to do anything in order for their claim to be approved. If they disagree with the value presented, then they would be required to submit the Dispute Notice attached as Schedule "G" to the Proposed Order.
52. Since certain Depositors are owed very small amounts of money, in some cases less than \$5.00, we anticipate that there may be some individuals who may not want to continue to participate in the process. In addition, we have also been contacted in some instances by individuals who wish to donate or assign the amount of their CEF deposits to either the District or their own congregation.
53. If the Depositor did not wish to participate further in the CCAA process, or wished to donate or assign their claim, then the Depositor would submit the Non-Participation Notice attached as Schedule "D" or the Assignment Notice attached as Schedule "H" to the Proposed Order.

54. It is proposed that for all other known and unknown Claimants a proof of claim form would have to be submitted by them.
55. If there is a disputed claim, the Proposed Order incorporates an accelerated process to settle the dispute in a streamlined manner.
56. The Monitor approves the proposed process and order, and supports this aspect of the application.
57. I am advised by counsel, and do verily believe the same to be true, that, except for the reverse claims process that is applicable only to the Depositors and the Residents, the proposed claims process contemplated by the Applicants is similar to that used in most other CCAA proceedings. The reverse claims process has been suggested by the Monitor for the Depositors and the Residents.
58. The Applicants are proposing that the Depositor and Resident Proof of Claim Document Package, as defined in the Proposed Order, will be sent by the Monitor to the Depositors by regular mail to the last known address of the Depositors, or by email to those Depositors who have registered an email address on the District website, and to the Residents by hand delivery to the Residents' condominium units. There is one Resident who has recently died. This former Residents' Proof of Claim Document Package will be sent to counsel for that Resident's estate, who has already contacted the Applicants' counsel.
59. The Applicants are proposing that the General Proof of Claim Document Package, as defined in the Proposed Order, will be sent by regular mail to all parties listed in the current accounts payable records of the Applicants, whether or not the records show an amount due, and that the same documents will be sent to any other parties (or their counsel if applicable) believed by the Applicants to have claims or possible claims against them.
60. Based on discussions with the Monitor, and with its concurrence, it is proposed that the Monitor publish a notice substantially in the form as the Notice to Creditors attached as Schedule "A" to the Proposed Order in the Globe and Mail National Edition on two separate occasions.

61. The proposed claims bar date as set out in the Proposed Order is 4:00 p.m. on April 20, 2015. This claims bar date will see the claims process with respect to all Claimants substantially completed by May 5, 2015.
62. I do verily believe that the proposed claims process is fair and reasonable in the circumstances and provides an important mechanism for these proceedings to continue in a timely and efficient manner.

PAYMENTS TO LUTHERAN CHURCH – CANADA

63. The District's main source of income, aside from loans and investments held within the CEF, are donations from the congregations ("Mission Remittances"), which average \$1.3 million on an annual basis. Mission Remittances are made by the congregations to the District on the understanding and in the expectation that a portion of the Mission Remittances will be paid to Lutheran Church – Canada ("LCC"). Historically, the District would budget that \$500,000 to \$520,000 would be paid to LCC from the Mission Remittances (the "LCC Portion"). The District would pay 35% of the Mission Remittances received by the District LCC on a monthly basis. The amount paid would be reviewed in the middle of the year and if the amount paid to LCC was under budget, then an additional payment would be made to true the amount up to the budget amount. On average, about 40% of the Mission Remittances were paid to the LCC.
64. Prior to the Initial Order, the LCC Portion was paid to the LCC on a monthly basis in the District's ordinary course of business. LCC receives similar payments from the other two districts which are associated with it (collectively with the LCC Portion, the "District Payments"). The District Payments are the main source of operational funds for LCC. It has few other sources of funds.
65. LCC carries out work across Canada and internationally. LCC, as a national Church, trains future pastors, teachers, deacons and deaconesses. It is involved in mission work internationally.
66. LCC has no other significant source of funding for the programs it carries out other than the portion of the Mission Remittances that it receives from the District, and the two other districts in Canada. National church workers in mission fields are dependent upon this support for their work and livelihood.
67. In light of the District's current financial circumstances, the District is concerned that if it is not able to make its monthly payments to the LCC, then congregations will not

continue to make their donations to the District. Rather the congregations would make their donations directly to LCC. Even if these donations did not exceed the LCC Portion, there is a potential that the congregations may choose not to send the balance of the Mission Remittances to the District.

68. This concern is derived from comments made by CEF Depositors and other congregational members to members of the District staff and leadership, including myself, that they would be hesitant to continue to donate funds to the District without having certainty that a portion of this donation would be provided to LCC.
69. If the congregations discontinue their donations to the District and make their donations directly to the LCC, it would seriously impact upon the District's continued cash flow and its ability to continue to operate and restructure.
70. For January 1 to January 22, 2015, the Mission Remittances received by the District were \$115,157. The District has not yet paid the LCC Portion of these Mission Remittances to the LCC.
71. The District is proposing that it would pay to LCC 35% of the Mission Remittances that it received from January 1 to January 22, 2015 to the LCC. It is also proposing that for donations received after January 22, 2015, it would continue to pay to LCC 35% of the ongoing Mission Remittances that it receives from the congregations on a monthly basis. The District has discussed these proposed payments with the Monitor and the Monitor is supportive of the District's application in this regard, based on their understanding that a failure to do so may have a serious impact of the donations received by the District.

CRITICAL SUPPLIERS

72. The Initial Order declared Shannon's Services Management Corp. ("Shannon's") to be a Critical Supplier. Shannon's is responsible for hauling water to the Prince of Peace Development.
73. Shannon's is a very small business and ECHS is Shannon's main customer. Shannon's invoices to ECHS average \$36,000 per month, which based upon information supplied by Shannon's, is the vast majority of its' monthly income. Shannon's has expressed many times to Amy Thera, ECHS's accountant, and I verily believe the same to be true, that if ECHS does not make payment of its monthly account, Shannon's will not be able to make its payroll for that month.

74. Because of the Initial Order, Shannon's did not receive payment for the period January 1 to January 22, 2015. ECHS owes Shannon's \$22,970.40 for this time period. So that Shannon's was able to make its payroll for the month of January, in the week of February 9, 2015, ECHS will make a pre-payment to Shannon in the amount of \$23,000 for the month of February.
75. There are not a lot of companies that are in the business of hauling water. The cleanliness of the water is critical for the seniors that reside at the Prince of Peace Development. Shannon's has been a reliable provider of clean water to the Prince of Peace Development for 6 years.
76. Because the Initial Order has caused extreme hardship on Shannon's, ECHS is requesting that it be permitted to make a payment to Shannon's in the amount of \$22,970.40 for the services it provided to ECHS for January 1 to January 22, 2015.
77. Pure Elements Environmental Solutions ("Pure Elements") was inadvertently missed from the list of Critical Suppliers in the Application for the Initial Order. Pure Elements is responsible for testing the water at the Prince of Peace Development and provides an essential service to the development. It is requested that Pure Elements be declared a Critical Supplier and that it form part of the Critical Suppliers' Charge.

UPDATE ON DIRECTORS' & OFFICERS' INSURANCE

78. Since the Initial Affidavit, the Applicants, through their general legal counsel, have corresponded with the insurer respecting the continuation of the Directors and Officers insurance coverage. The insurer advised on January 29, 2015 that it will not be renewing the policy. In the meantime, as the insurance was scheduled to expire on January 31, 2015, the insurer offered to extend the coverage to March 31, 2015.
79. The insurer advised that the amount of \$1,126 would need to be paid for the premium to extend the coverage to February 1, 2015. An additional \$2,067 would need to be paid for the premium to extend the coverage to March 30, 2015. Attached hereto and marked as **Exhibit "D"** are two emails from the insurer dated December 22, 2014 and January 29, 2015 respecting these amounts. The total amount that needs to be paid to the insurer to extend the policy to March 30, 2015 is \$3,193.
80. The Applicants are seeking authorization from the Court to pay the above amounts.

SUBDIVISION

81. Currently, the Prince of Peace Development is mainly comprised of one parcel of land. Only the Manor and the condominium units that make up the Prince of Peace Village have been subdivided from the main parcel.
82. The Harbour, and the Prince of Peace Church and School are all located on the same parcel of land, which also includes bare development lands.
83. It is proposed that the Harbour and sufficient lands for expansion of the Harbour and potentially the Manor be subdivided from the main parcel. As mentioned in the Initial Affidavit, because of the smaller size of the Harbour, it is difficult for its operations to earn sufficient income. Having some expansion lands attached to the lands that the Harbour is located on, would allow a future purchaser or the proposed limited partnership the ability to expand in order to optimize the Harbour's operations. Subdivision would also make the Harbour easier to sell, should the proposed limited partnership choose to do so, as a going concern.
84. It is also proposed that the Prince of Peace Church and School be subdivided from the main parcel. Rocky View School Division ("RVSD") has recently expressed an interest in purchasing these buildings. ECHS is currently in discussions with RVSD in this regard. Having these buildings on their own separate parcel of land would make it easier to sell these lands to RVSD or an alternate purchaser.
85. Part of the core business of ECHS is to expand and develop the Prince of Peace Development, however, it has not proceeded with any subdivision or development for a number of years. In light of the present financial circumstances facing ECHS, it wishes to obtain the Court's approval of its intention to undertake these proposed subdivisions.

FINANCIAL

86. Attached to the Monitor's First Report will be the Applicants' cash flow reports for the period ended May 9, 2015 (the "Cash Flows"). The Cash Flows have been prepared in consultation with the Monitor.

SUMMARY

87. I believe that the Applicants are working in good faith and with due diligence in these proceedings and believe it is within the best interests of the Applicants and their stakeholders to continue in these proceedings as outlined above.
88. The steps that the Applicants have taken since the Initial Order to further the development of a Plan of Compromise or Arrangement are as follows:
- (a) communicated with the Depositors, the residents in the Prince of Peace Village, and the Applicants' other stakeholders regarding the CCAA Initial Order, the CCAA process, plans that have been developed to date, and responded to other questions asked;
 - (b) conducted further analysis of the results of the CEF Depositor meetings that were held in January 2015;
 - (c) held meetings with both the life lease residents and the fee simple residents in the Prince of Peace Village regarding the impact of the CCAA Initial Order and the process;
 - (d) discussed with the Monitor and developed an interim plan to deal with the possible death of life lease residents or early surrender of life leases;
 - (e) discussed with the Monitor and developed a plan to convert the life leases to fee simple interest that will form part of the proposed Plan of Compromise or Arrangement;
 - (f) authorized the appointment of a Joint Restructuring Committee and appointed the three members to the committee;
 - (g) passed a resolution to support the Monitor's application to appoint a creditor committee;
 - (h) authorized the appointment of a CRO for the District and DIL to not only further develop the limited partnership that was suggested by the District's prior restructuring committee, but also to assist in restructuring the Ministry and other financial aspects of these entities;

Deloitte

Deloitte Restructuring Inc.
700, 850 – 2nd Street S.W.
Calgary AB T2P 0R8
Canada

Tel: 403-267-1899
Fax: 403-718-3681
www.deloitte.ca

January 26, 2015

Notice to the Creditors and Depositors 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 (collectively the "District Group")

Please be informed that, on January 23, 2015, 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 (Canada)* (the "CCAA"). The Initial Order provides for a stay of proceeding until February 20, 2015 (the "Stay"), pursuant to which creditors are restrained from enforcing or exercising any rights or remedies against the District Group. The Stay has been granted to give the District Group time to determine if it can formulate a plan of arrangement (a "Plan") to present to its creditors. Under the CCAA, the stay may be extended on such terms and with such modifications as the Court considers appropriate.

Deloitte Restructuring Inc. was appointed by the Court as the Monitor in the CCAA proceedings. The Monitor will notify creditors of any claims process to be undertaken and any meeting to be held to vote on the proposed Plan. The Monitor may also prepare progress reports to the Court, copies of which will be available to the creditors and depositors.

The Initial Order, a listing of creditors and depositors as represented by the District Group, and other publicly available documents, can be accessed via the Monitor's website at www.insolvencies.deloitte.ca under the "Lutheran Church – Canada, the Alberta – British Columbia District et. al." link (the "Deloitte Website").

Interested parties are encouraged to check the Deloitte Website frequently for updates as to the status of CCAA proceedings. For further information, you may also contact the Monitor at the address above or as follows:

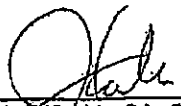
Via Telephone: (403) 267-1899

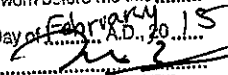
Via Email: calgaryrestructuring@deloitte.ca

Yours truly,

DELOITTE RESTRUCTURING INC.

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


Per: Jeff Keeble CA, CIRP, CBV
Senior Vice-President

THIS IS EXHIBIT "A"
referred to in the Affidavit of
Kurtis Robinson
Sworn before me this 13
Day of February A.D. 2015

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

FRANCIS N.J. TAMAN
BARRISTER & SOLICITOR

THIS IS EXHIBIT "B"
referred to in the Affidavit of
Kurtis Robinson
Sworn before me this 13
Day of February, 2015
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA



FRANCIS N.J. TAMAN
BARRISTER & SOLICITOR

January 26, 2015

Dear depositor,

On Friday January 23, 2015, the District and ABC District Investments Limited filed under the *Companies' Creditors Arrangement Act* (the "CCAA"). The CCAA is a federal act that allows companies in our situation to apply for protection from the Court to give us time to prepare a plan to restructure, known as a Plan of Arrangement (the "Plan"), whereby we hope to get the best recovery possible for you.

I'm sure you have questions about what this means for the return of funds, why we held the meetings, the outcome of the "straw poll" in which you were asked to register your preferences for the future, what happens to those outcomes and what this all means. I am going to do my best to clear up those questions and we will be posting more detailed information about the CCAA process on the website: www.abcdistrict.ca.

What does this mean?

The Court will be monitoring our restructuring process and a Court-appointed Monitor will comment on the fairness of the Plan for depositors. For the next 30 days, the District will be protected from any legal action and all redemptions will be halted. This means that no funds from CEF or ABC District Investments Ltd. will be distributed or transferred, except RRIF annual minimum payments and emergency funding for depositors who are eligible from both ABC District Investments Ltd. and CEF. Emergency funding application forms are available on the website or by calling 1-888-295-0638. Deloitte Restructuring Inc. is the Court-appointed Monitor and will oversee the process. Once the Plan has been finalized, the District will be seeking approval to hold a meeting to present the Plan to creditors and have them vote on the Plan. This process is public; all documents will be posted on the Monitor's website (www.insolvencies.deloitte.ca).

What does this mean for the return of funds?

At the meetings that we held around Alberta and British Columbia, we explained that there were two options open to us: liquidation or restructuring. Liquidation involves the return of some of your funds in a relatively short period of time. Restructuring gives the possibility of a greater return of funds, but over a longer period of time.

The move to CCAA doesn't change these alternatives: it simply provides a way forward and these details will be worked through in the restructuring plan.

We heard the registered investments were safe. And now we hear this – what has changed?

When we were speaking at the meetings in Alberta and British Columbia, all of DIL's loans were current and monthly payments were being made. This meant that DIL was sufficiently healthy to pay out the amounts it usually sends out on a monthly basis.

After we returned from the meetings, we reviewed the transfer requests and requests for paperwork that had been sent in. When we did the math, the amount we had in transfer requests totalled over half of the liquid cash in the Fund; the equivalent of a run on the bank.

This unprecedented number of transfer requests created a significant issue. If the volume of transfers had continued, there was a potential that a number of DIL's loans would have to be called in.

The large number of transfer requests could have resulted in a cash flow shortage in DIL and we wanted to avoid any more hardship. CCAA was recommended to us by our Counsel and professional experts. As part of this process, the loans identified as having a potential loss will have to be investigated and there will likely have to be write downs of the loans. However, as we have seen with other companies that have taken this step, the CCAA process has the potential to provide a more positive outcome for all the depositors.

Why did we hold the meetings?

From the time we became aware of this problem, we knew we had to get information out to you and come to each circuit to discuss the situation and options. The meetings were an important way for us to hear your opinions and thoughts. All of those can still be addressed as we develop the Plan through the CCAA process.

What happens to the straw poll results?

The CCAA process will still allow us to explore both options discussed at the meetings and we will also have the professional oversight which many requested at the meetings. We have shared the results of this poll with our Monitor, Deloitte Restructuring Inc., who will help us to shape the Plan. The ideas and concerns shared with us will not be left to the wayside and our hope remains to develop the Plan that can accommodate the majority of our depositors. The results of the straw poll can be found on our website: www.abcdistrict.ca

I am sure you have many other questions, which we will try to answer as quickly and thoroughly as we can. As you may have noticed, the website has been updated with information on the CCAA process, and we will be sharing more information with you as we walk together. In this package, we have included Common Questions about CCAA; please take the time to review this document as it will clarify the process and what it means for you and the District.

We are grateful to each one of you who shared how you felt and gave us your ideas through the meetings, phone calls, emails and the website, and we hope you will continue to do so.

We continue to pray for God's guidance and direction and would ask you also to join us in this prayer.

Sincerely in Christ,

Rev. Donald Schiemann, President
Alberta-British Columbia District
Lutheran Church-Canada

Enclosures: CCAA – Common Questions; Contact Information



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www.deloitte.ca

February 1, 2015

Notice to holders of RRIFs in Lutheran Church – Canada, the Alberta – British Columbia District Investments Ltd. (“District Investments”)

Pursuant to District Investments proceedings under the *Companies’ Creditors Arrangement Act (Canada)* (the “CCAA”) there is a stay of proceedings in place that affects all redemptions, transfers or interest payments to depositors, with the exception of required statutory minimum payments for RRIF holders which are to be continued to be made in the ordinary course.

As part of the CCAA proceeding, District Investments will be reviewing their options with respect to presenting a plan of arrangement (“Plan”) to their creditors, including the holders of RRIFs. At present the details of any Plan are not yet known.

In reviewing the assets held within District Investments, it is currently anticipated that selected loans will not be collectible. These include two loans made to Encharis Community Housing and Services (“ECHS”) totaling approximately \$8.0 million, which are secured by a registered mortgage (the “ECHS Mortgage”) against selected properties within the Prince of Peace development. The ECHS Mortgage is registered in second position behind a mortgage to Lutheran Church – Canada, the Alberta – British Columbia District (the “District”). Because the value of the property subject to the ECHS Mortgage appears to be insufficient to repay the mortgage in favour of the District, it is not anticipated that District Investments will recover anything under the ECHS Mortgage.

The Monitor is currently reviewing the remaining loans held within District Investments fund. In the meantime, however, the Monitor understands that District Investments has reduced the face value of the investments, which in turn reduces the statutory required minimum payments by 24%. The reason for this is to ensure an equitable distribution to the depositors within District Investments. Based on the information reviewed by the Monitor, the Monitor is satisfied that this adjustment is reasonable.

We note that, the ultimate recovery to the depositors within District Investments, including the holders of RRIFs, is uncertain at this time and will be determined at a later point in the CCAA proceedings.

For those who require payments from their RRIFs above the statutory minimum payments provided by District Investments, an emergency fund has been established and applications can be obtained by contacting District Investments or accessing website set up for depositors: <http://abcdistrict.ca/>.

Yours truly,

DELOITTE RESTRUCTURING INC.

In its capacity as the Court-appointed Monitor of Lutheran Church – Canada, the Alberta – British Columbia District, Lutheran Church – Canada, the Alberta – British Columbia District Investments Ltd. and not in its personal or corporate capacity

THIS IS EXHIBIT "C"
referred to in the Affidavit of
Kurtis Robinson
Sworn before me this *13*
Day of *February*, 20 *15*
[Signature]
A COMMISSIONER OF OATHS
IN AND FOR THE PROVINCE OF ALBERTA

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

FRANCIS N.J. TAMAN
BARRISTER & SOLICITOR

Ksena Court

From: Huston, Laura [Laura.Huston@marsh.com]
Sent: Monday, December 22, 2014 3:44 PM
To: Janice Ruf
Subject: RE: The Lutheran Church - Canada, the Alberta-British Columbia District
Attachments: Lutheran Church Premium Comparison.pdf

Janice,

Further to my voicemail message, attached is the premium comparison for your review. Please note that Ecclesiastical applied a 3% inflationary value to the property with the exception of the church in Revelstoke since it was recently added.

Ecclesiastical also applied a 3% rate increase to the property coverages at the Edmonton and Strathmore locations and a 24% increase to the liability premium. We are currently negotiating a reduction and will provide an update to you shortly.

As mentioned in my voicemail, if you are going to be out of the office until after January 1, 2015, we will request Ecclesiastical hold coverage as per expiring terms and conditions until you return and have time to review.

With respect to the D&O Liability, Encon has agreed to provide a 30 day extension if you would like some additional time to get the renewal information to our office. The Additional premium to extend to February 1, 2015 is \$1,126. On the attached premium comparison, we put in last year's D&O premium just to get an idea of where the total premium is at for this year.

Please let me know if you have any questions or concerns.

I will be in the office tomorrow and until noon on December 24th.

Best Regards,

Laura Huston
Marsh Canada | Client Executive
#680, 10180 - 101 Street NW, Edmonton, AB T5J 3S4 Canada
+1 780 917 4857 | Fax +1 780 429 1422 | laura.huston@marsh.com
www.marsh.ca | www.marsh.com



THIS IS EXHIBIT "D"
referred to in the Affidavit of
Kurtis Robinson
Sworn before me this 13
Day of February, A.D., 2015
[Signature]
ADMISSIONS UNIT
REGISTRY FOR THE PROVINCE OF ALBERTA
FRANCIS N.J. TAMAN
BARRISTER & SOLICITOR

From: Grant, Damian [<mailto:Damian.Grant@marsh.com>]
Sent: January 29, 2015 3:18 PM
To: Philip Prowse
Cc: Hamel, Mary-Ann
Subject: Lutheran Church - Canada, The Alberta - British Columbia District

Hello Philip,

The insurance company has notified us that they will not be renewing the Directors' & Officers' coverage. As per the policy conditions, they will extend the policy to March 30th (60 days) for an additional premium of \$2,067.

Can you please advise us if you would wish to proceed with the 60 day extension.

Regards,

Damian Grant | Vice President
Marsh Canada Limited
#680, 10180-101 Street, Edmonton, AB T5J 3S4
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