

August 3, 2016

Notice to the creditors of Lutheran Church – Canada, the Alberta – British Columbia District (the “District”) and of Lutheran Church – Canada, the Alberta – British Columbia Investments Ltd. (“DIL”)

As you are aware, the District 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 (the “Filing Date”). Deloitte Restructuring Inc. (“Deloitte”) acts as the Monitor in the CCAA proceedings.

The purpose of this correspondence is to provide an update on the CCAA proceedings for both the District and DIL.

The July 15 Hearing

As previously reported, at a hearing on July 15, 2016 (the “July 15 Hearing”), the District Group made an application for an Order (the “District Sanction Order”) sanctioning the District’s plan of compromise and arrangement (the “District Plan”), declaring that the District Plan is fair and reasonable and declaring that the District Plan and all associated steps, compromises, transactions, arrangements, assignments, releases and reorganizations effected by the District Plan are approved, binding and effective upon those creditors affected by the District Plan.

DIL had previously made an application for an Order (the “DIL Sanction Order”) sanctioning DIL’s plan of compromise and arrangement (the “DIL Plan”) and the Court had indicated that they would decide on the DIL Sanction Order at the same time as they decided on the District Sanction Order.

Also at the July 15 Hearing, Errin Poyner of Sugden, McFee and Roos LLP on behalf of her clients Randall Kellen and Elvira Kroeger and supported by Allan Garber of Allan Garber Professional Corporation on behalf of his clients Sharon Sherman and Marilyn Huber made an application seeking the following (the “Sugden-Garber Application”):

- Removing Deloitte as Monitor and replacing it with Ernst & Young LLP (“E&Y”); or
- Appointing E&Y as a limited purpose monitor for the purpose of reviewing the provisions of the District Plan related to future legal action(s), which may be undertaken on behalf of depositors to the District by way of class proceedings or otherwise and rendering its opinion to the Court on the application for

the District Sanction Order and with respect to whether the District Plan is fair and reasonable to the District's creditors;

- Authorizing E&Y to retain legal counsel to assist it in rendering its opinion to the Court if it considers it reasonable and necessary to do so; and
- Authorizing the professional fees of E&Y and its legal counsel, to a maximum amount of \$150,000 plus applicable taxes to be paid by the Applicants and secured under the Administration Charge (as such term is defined in the Initial Order) that was granted as part of the Initial Order or under a second administration charge to rank *pari passu* with the current Administration Charge.

At the July 15 Hearing, the Court indicated that it would render its decision on the application for the District Sanction Order, the application for the DIL Sanction Order and the Sugden-Garber Application on July 29, 2016. That date was later extended by the Court to August 2, 2016.

Decisions released on August 2, 2016

The Court rendered its written decision on August 2, 2016. The Court's Reasons for Decisions are posted on the Monitor's website. The results of the various applications are as follows:

The District Sanction Order

The Court granted the District Sanction Order.

The Monitor intends to issue correspondence to the District's creditors by August 12, 2016, which will provide information on the initial distributions to be made pursuant to the District Plan. Any lawful party wishing to appeal the District Sanction Order, may seek leave to file such an appeal within 21 days (the "Appeal Period"). To be clear, the District Plan will not be implemented until following the Appeal Period and assuming that the District Sanction Order is not appealed.

The DIL Sanction Order

The Court granted the DIL Sanction Order. Like the District Plan, the DIL Plan will be implemented following the Appeal Period and assuming that the DIL Sanction Order is not appealed.

As previously communicated, pursuant to an Order granted on August 28, 2015 and amended on November 5, 2015 and an Order granted on April 27, 2016, interim distributions totaling \$22.0 million have been released to DIL's creditors.

The most valuable remaining asset held by DIL is a loan (the "Kelowna Loan") due from a congregation in Kelowna, British Columbia (the "Kelowna Congregation"), which is secured by a registered mortgage on the property that houses the Kelowna Congregation (the "Kelowna Property"). DIL has commenced foreclosure proceedings with respect to the Kelowna Property. The Monitor does not anticipate that any further distributions will be made to DIL Depositors until such time as the Kelowna Loan can be realized upon.

The Sugden – Garber Application

The Court dismissed the Sugden – Garber Application and indicated as follows:

- There is no actual or perceived conflict of interest that would warrant the replacement of the Monitor; and
- The anger and frustration expressed in the CCAA proceedings by a small minority of creditors is misplaced when it is directed against the Monitor.

If you have any questions, please contact the undersigned or Joseph Sithole at 1-587-293-3203.

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



Vanessa Allen, B. Comm, CIRP
Vice-President