



COURT FILE NUMBER 1501-00955

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

DOCUMENT THIRTEENTH 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 FEBRUARY 4, 2016

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Introduction and Notice to Reader

Introduction

1. On January 23, 2015, 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 (the “District Depositors”). Depositors to DIL will be referred to as the “DIL Depositors”. The District Depositors and the DIL Depositors will collectively be referred to as the “Depositors”.
3. The Initial Order provided for an initial stay of proceedings (the “Stay”) until February 20, 2015. The Court has now granted six extensions of the Stay. The most recent Order was granted at an application on January 20, 2016 (the “January 20 Hearing”) and extended the Stay until April 29, 2016.
4. 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 filed the following reports:
 - 4.1. the First Report of the Monitor dated February 17, 2015;
 - 4.2. the Second Report of the Monitor dated March 23, 2015 (the “Second Report”);
 - 4.3. the Third Report of the Monitor dated June 16, 2015;
 - 4.4. the Fourth Report of the Monitor dated June 24, 2015 (the “Fourth Report”);
 - 4.5. the Fifth Report of the Monitor dated August 24, 2015 (the “Fifth Report”);
 - 4.6. the Sixth Report of the Monitor dated September 9, 2015;
 - 4.7. the Seventh Report of the Monitor dated October 20, 2015;
 - 4.8. the Eighth Report of the Monitor dated October 30, 2015 (the “Eighth Report”);
 - 4.9. the Ninth Report of the Monitor dated November 26, 2015;

- 4.10. the Tenth Report of the Monitor dated December 22, 2015;
 - 4.11. the Eleventh Report of the Monitor dated January 11, 2016;
 - 4.12. the Twelfth Report of the Monitor dated January 27, 2016 (the “Twelfth Report”, together with the Pre-Filing Report, the reports listed in 4.1 to 4.12 will collectively be referred to as the “Reports”).
5. The Monitor also filed a confidential supplement to the Second Report dated March 25, 2015, a confidential supplement to the Fourth Report dated June 25, 2015 and a confidential supplement to the Fifth Report dated August 26, 2015 (collectively the “Supplements”). The Supplements provided the Court with additional detail with respect to the District Group’s applications for the approval of the sales of six parcels of land (the “Sale Lands”). The Supplements were sealed by the Court in order to avoid tainting any future sale processes that would be required if any of the transactions involving the Sale Lands failed to be completed.
 6. In addition to the Pre-Filing Report, 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”) and a First Report to the Creditors of DIL dated December 8, 2015 (the “DIL Report”). Both the Encharis Report and the DIL Report were prepared for the purpose of providing creditors of the corresponding entities with specific information related to the respective plans of compromise and arrangement for ECHS and EMSS, as amended and for DIL, as amended.
 7. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Reports and in the Supplements.
 8. Information on the CCAA proceedings can be accessed on Deloitte’s website at www.insolvencies.deloitte.ca under the link entitled “Lutheran Church – Canada, the Alberta – British Columbia District et. al.” (the “Monitor’s Website”).

Notice to Reader

9. 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 Chief Restructuring Officer, interested parties and stakeholders. The Monitor has not performed an independent review or audit of the information provided.
10. 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.
11. All amounts included herein are in Canadian dollars unless otherwise stated.

Court Applications

12. The activities of the Applicants up to the date of the Twelfth Report are detailed in the Reports.
13. This report constitutes the Thirteenth Report of the Monitor (the “Thirteenth Report”). The Thirteenth Report provides additional information with respect to the relief sought by the District Group at a hearing scheduled for February 8, 2016 (the “February 8 Hearing”):
 - 13.1. At the February 8 Hearing, the Applicants will be seeking an Order of this Honourable Court amending an Order granted on November 5, 2015 (the “November 5 Order”) approving the sale of the District’s former head office (the “District Office”), which is legally described as follows:

PLAN 8722543
BLOCK C
EXCEPTING THEREOUT ALL MINES AND MINERALS
 - 13.2. An Order sealing the Confidential Affidavit of Cameron Sherban, sworn on January 29, 2016 (the “January Confidential Affidavit”), which contains specific information related to the sale of the District Office in order to avoid tainting any future sale process that may be required should the sale of the District Office fail to be completed.
14. The Monitor notes that, the purchaser of the District Office has now indicated that they will only be able to complete the sale of the District Office, subject to the purchase price being reduced as set out herein and in the January Confidential Affidavit. As such, the District is seeking further Court approval to complete the sale of the District Office at a reduced purchase price.

Sale of the District Office

15. On November 5, 2015, the Court approved the sale of the District Office as set out in an Offer to Purchase and Interim Agreement dated October 9, 2015 (the “Offer”), which was attached to the Confidential Affidavit of Cameron Sherban sworn on October 23, 2015 (the “District Office Transaction”).
16. The marketing process undertaken in respect of the District Office and the District Office Transaction are described in the Eighth Report.
17. The Monitor understands that the purchaser is unable to complete the District Office Transaction, as originally contemplated. Instead they have requested that the District agree to an Amendment and Condition Removal Agreement dated January 4, 2016 (the “Amendment Agreement”), which is attached to the January Confidential Affidavit. Pursuant to the Amendment Agreement, the purchase price of the District Office would be reduced and the purchaser’s conditions would be removed. For clarity, in the event that the Amendment Agreement is not approved, the Monitor understands that the purchaser will be unable to meet the financing condition set out in the Offer and will be unable to complete the District Office Transaction. The Monitor understands that the purchaser has indicated that the reduction to the purchase price is required due to the fact that the purchaser will now be operating a smaller daycare than was originally contemplated, the purchaser’s renovation costs will be higher than anticipated and the purchaser has some financing constraints. The Monitor notes that the anticipated closing date for the District Office Transaction is February 29, 2016.
18. The Monitor has reviewed the Amendment Agreement and consulted with Deloitte’s real estate advisory group (“Deloitte Real Estate”) with respect to the Amendment Agreement. Based on their review, the Monitor is supportive of the District accepting the Amendment Agreement and completing the District Office Transaction subject to the Amendment Agreement, based on the following:
 - 18.1. Deloitte Real Estate has advised that the Edmonton real estate market is changing rapidly with compression on property values being reflected within most areas of the commercial market and financing becoming more difficult to obtain. Should the District Office Transaction not be completed a further downturn in the Edmonton real estate market may negatively impact the District’s ability to obtain a comparable offer in the future.
 - 18.2. Based on the prior marketing process, the Monitor is of the view that, even at the reduced purchase price, the District Office Transaction is commercially reasonable and will be more beneficial to District Depositors than a sale or disposition in a forced liquidation scenario.
 - 18.3. The creditors’ committee established for the District has approved the completion of the District Office Transaction, subject to the Amendment Agreement.

19. The Monitor understands that the proceeds from the District Office Transaction will be held in trust for the purpose of being included in the District Plan.

Conclusion

20. The Monitor supports the District Office Transaction being completed subject to the Amendment Agreement based on the reasons set out herein.

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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Senior Vice-President