



COURT FILE NUMBER 1501-00955
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
DOCUMENT THIRTY-FOURTH 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 MARCH 3, 2018

**ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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DOCUMENT**

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Schedule 1	Variance Analysis for the thirteen (13) week period ended February 10, 2018 for the District
Schedule 2	Variance Analysis for the thirteen (13) week period ended February 10, 2018 for DIL

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”). 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, upon respective applications being made by the creditors’ committee for the District (the “District Committee”) and the creditors’ committee for DIL (the “DIL Committee”), 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 to proceed.
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 prepared thirty-three reports dated between February 17, 2015 and November 30, 2017 (collectively, the “Reports”). The Monitor’s

Thirty-Third Report was dated November 30, 2017 (the "Thirty-Third Report"). The Thirty-Third Report was prepared to provide the Court with the following:

- 4.1. A general update on the CCAA proceedings;
 - 4.2. The Monitor's report on the Applicants' cash flow forecasts for the thirteen (13) week period ending February 10, 2018 and the Applicant's variance analysis for the thirteen (13) week period ended November 11, 2017; and
 - 4.3. Information regarding a hearing on December 7, 2017 (the "December 7 Hearing"), as further described below.
5. 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.
 6. 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.
 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 (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

9. In preparing this report, the Monitor has relied on unaudited financial information, the books and records of the Applicants, and discussions with the Applicants' employees, the Applicant's Chief Restructuring Officer (the "CRO"), interested parties, and stakeholders.
10. 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.

11. 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.
12. All amounts included herein are in Canadian dollars unless otherwise stated.

Court Applications

13. At the December 7 Hearing, the Court granted an Order approving the professional fees and disbursements of the Monitor and the Monitor's legal counsel for the period ended October 31, 2017, including estimates to complete the administration of the CCAA proceedings for DIL, ECHS and EMSS as further detailed in the Thirty-Third Report.
14. This report represents the Thirty-Fourth Report of the Monitor (the "Thirty-Fourth Report"). The Thirty-Fourth Report is being prepared to provide the Court with the following:
 - 14.1. A general update on the CCAA proceedings;
 - 14.2. The Monitor's report on the variance analysis for the District and DIL for the thirteen (13) week period ended February 10, 2018 (the "Variance Period"); and
 - 14.3. Information regarding a hearing on March 8, 2018 (the "March 8 Hearing") at which the District will be making applications to approve the following:
 - 14.3.1. A settlement between the District and the Prince of Peace church and school (the "Church and School") as further described herein (the "Church and School Settlement"); and
 - 14.3.2. The sale of a vacant lot owned by ECHS located at 285011 Luther Rose Boulevard in the Prince of Peace Village (the "Parsonage Lot").

Status of the Applicants' Plans

15. The following is a summary of any additional activities undertaken to implement the Applicants' Plans since the date of the Thirty-Third Report.

The District Plan

16. The District is continuing its efforts to realize on its remaining assets, the most significant of which is the District's interest in approximately 4.08 acres of land in the community of Tuscany in Northwest Calgary (the "Tuscany Lands"). The Tuscany Lands are currently being marketed by Colliers International ("Colliers") with a list price of \$4.0 million.
17. Pursuant to the District Plan, a distribution of approximately \$4.25 million was released to the District's creditors in January 2018 (the "District Distribution"). No further distributions will be made pursuant to the District Plan until such time as the sale of the Tuscany Lands has been completed.

The DIL Plan

18. All of DIL's assets have been realized. The most recent distribution to DIL Depositors totaled approximately \$7.25 million and was released to DIL Depositors, pursuant to the DIL Plan, in November 2017 (the "Third DIL Distribution"). A final distribution totalling approximately \$179,000 will be released to DIL Depositors, pursuant to the DIL Plan, in March 2018 (the "Final DIL Distribution").
19. Upon release of the Final DIL Distribution, payment made to DIL Depositors, including those made pursuant to the Emergency Fund and required annual minimum payments (the "AMPs") to holders of registered retirement income funds ("RRIF(s)") and locked-in income funds ("LIF(s)", collectively the "RRIF and LIF Holders"), will total approximately \$30.7 million and represent approximately 81% of the DIL Depositors' original investments as recorded in DIL's books and records on the Filing Date.
20. A portion of the Final DIL Distribution will be paid directly to Great-West Life Assurance Company to be distributed to holders of registered retirement savings plans, locked-in retirement accounts and tax-free savings accounts. The remainder of the Final DIL Distribution will be transferred into registered accounts held with financial institutions or investment advisors of the RRIF or LIF Holders choosing (the "RRIF and LIF Transfers"). Once the RRIF and LIF Transfers have been completed, the Monitor will issue the Certificate signaling that the DIL Plan has been completed.

The ECHS Plan

21. Following the sale of the Parsonage Lot, ECHS' CCAA proceedings will be complete and the Monitor will be in position to issue the Certificate for ECHS. As detailed below, the proceeds from the sale of the Parsonage Lot will be paid to the District for distribution to the District's creditors pursuant to the District Plan.

The EMSS Plan

22. EMSS' CCAA proceedings are complete. As set out in the EMSS Plan, however, the Certificate for EMSS cannot be issued until the Sequence of Events set out in Section 7.1 of the District Plan has been completed.

The Church and School Settlement

23. The Church and School is indebted to the District in the form of two unsecured loans (the “Church and School Loans”), which have a combined outstanding balance of approximately \$11.3 million. The first unsecured loan is in the amount of approximately \$1.9 million and the second, which the Monitor understands was used to construct the buildings that house the Church and School (the “Church and School Buildings”) is in the amount of approximately \$9.4 million (the loan balances have been updated from those previously reported to include accrued interest up to February 28, 2018).
24. The Church and School Buildings were transferred to Sage Properties Corp., the corporation formed pursuant to the District Plan, as set out in the District Plan (the “Church and School Transfer”). The Church and School previously indicated that they were claiming an interest in the Church and School Buildings by way of a trust or other mechanism pursuant to which a portion of the Church and School Loans would be discharged by the Church and School Transfer.
25. The Church and School also holds a proven claim against the District in the amount of approximately \$13,100 and has been receiving distributions pursuant to the District Plan
26. At the March 8 Hearing, the District will be seeking approval of the Church and School Settlement. As set out in the Affidavit of Cam Sherban, sworn on March 1, 2018 (the “Sherban Affidavit”), the terms of the Church and School Settlement are as follows:
 - 26.1. The Church and School Loans will be reduced by approximately \$4.7 million (being the value originally reflected for the Church and School Buildings in the Church and School’s financial statements) in recognition of the Church and School Transfer;
 - 26.2. The Church and School will pay the District the lump-sum amount of \$40,000;
 - 26.3. The Church and School will transfer to Sage for cancellation the shares in Sage that the Church and School previously received pursuant to the District Plan; and
 - 26.4. The Church and School will forego any future cash distributions that they may be entitled to receive pursuant to the District Plan, including pursuant to the District Distribution.
27. The Monitor is supportive of the Church and School Settlement based on the following:
 - 27.1. The Church and School appear to have limited ability to repay the Church and School Loans;

- 27.2. The Church and School Transfer allowed the shareholders of Sage, who are also the District's creditors, to benefit from any value generated by the ongoing operation of the Church and School or the future sale of the Church and School Buildings; and
- 27.3. The District Committee has approved the Church and School Settlement.

The Parsonage Lot Sale

28. As set out in the Thirty-Third Report, the Parsonage Lot has been marketed by RE/MAX Len T. Wong & Associates R.E. (“RE/MAX”) since February 2016 (the “Marketing Period”). The list price for the Parsonage Lot was reduced several times during the Marketing Period with the most recent list price being \$79,900. RE/MAX identified the following challenges in selling the Parsonage Lot:
- 28.1. Uncertainty surrounding a purchaser’s ability to rezone the Parsonage Lot to allow for the construction of a duplex as opposed to a single family dwelling; and
 - 28.2. Concerns related to the resale value of the Parsonage Lot, given the restrictions set out in the bylaws of the condominium corporation for the Prince of Peace Village.
29. DIL held two registered mortgages on the Parsonage Lot (the “Parsonage Mortgages”). In November 2017, DIL decided to abandon further efforts to realize the Parsonage Mortgages, based on the following:
- 29.1. The challenges associated with the sale of the Parsonage Lot; and
 - 29.2. The fact that the Parsonage Lot was the sole remaining asset held by DIL and that once the Parsonage Lot was realized or otherwise dealt with, the administration of DIL’s CCAA proceedings would be complete; and
 - 29.3. The anticipated realizable value of the Parsonage Lot compared to the costs associated with extending DIL’s CCAA proceedings for an indefinite period.
30. The District and DIL Committees entered into an agreement whereby DIL would assign their interest in the Parsonage Mortgage to the District so that it could be realized for the benefit of the District’s creditors (the “DIL-District Assignment”). The DIL-District Assignment was executed in late February 2018.
31. As set out above, at the March 8 Hearing the District will be seeking approval for the sale of the Parsonage Lot. A copy of the Residential Resale Condominium Property Purchase Contract is attached as “Exhibit E” to the Sherban Affidavit. The details of the sale of the Parsonage Lot are summarized below:
- 31.1. The purchaser is Limetwig Homes Inc. (the “Purchaser”);
 - 31.2. The purchase price is \$50,000 and the Purchaser has paid a deposit of \$5,000, which is currently being held in trust by RE/MAX;
 - 31.3. All conditions have been waived with respect to the sale of the Parsonage Lot outside of the condition requiring Court approval; and
 - 31.4. The sale of the Parsonage Lot is scheduled to close on March 30, 2018.
32. Based on the Monitor’s review, it is satisfied that the sale of the Parsonage Lot is commercially reasonable given the significant amount of time that the Parsonage Lot has been exposed to the market and the

additional challenges associated with the sale of the Parsonage Lot, as identified by RE/MAX. The sale of the Parsonage Lot has also been approved by the District Committee and the DIL Committee. As such, the Monitor is supportive of the sale of the Parsonage Lot as outlined above.

33. The Monitor understands that the proceeds from the sale of the Parsonage Lot will be held in trust for the purpose of being distributed to the District's creditors pursuant to the District Plan.

Cash Flow and Variance Analysis

District

34. The Monitor only received the cash flow forecast for the District for the thirteen (13) week period ending May 12, 2018 (the "District Forecast") at the time that the Thirty-Fourth Report was being finalized. The CRO indicated that the preparation of the District Forecast was delayed due to one of the contractors at the District being away on a personal matter. The Monitor is reviewing the District Forecast and will report on the District Forecast in a subsequent report.
35. Attached as "Schedule 1" is a variance analysis (the "Variance Analysis") for the District for the thirteen (13) week period ended February 10, 2018 (defined above as the "Variance Period"). The Variance Analysis for the District reflects an overall net positive variance of approximately \$89,000.
36. The Variance Analysis is based on the Statement of Projected Cash Flow for the Thirteen (13) Week Period Ending February 10, 2018 for the District, which was dated November 28, 2017. The Variance Analysis includes information as to timing and permanent variances reported by the District over the Variance Period. Only one permanent variance over \$25,000 is reflected in the Variance Analysis for the District. This negative variance of approximately \$27,000 was for legal fees related to defending the District in the Representative Action, which were not included in the District Forecast.

DIL

37. A final distribution is being released to DIL Depositors in March 2018 following which DIL's CCAA proceedings will be complete. As such, DIL will not be providing any further cash flow forecasts.
38. Attached, as "Schedule 2" is the Variance Analysis for DIL for the Variance Period. The Variance Analysis for DIL reflects an overall net positive variance of approximately \$988,000. The Variance Analysis for DIL is based on the Statement of Projected Cash Flow for the Thirteen (13) Week Period Ending February 10, 2018 for DIL, which was dated November 28, 2017. The Variance Analysis includes information as to timing and permanent variances reported by DIL over the Variance Period. The Monitor notes the following two variances reflected in the Variance Analysis for DIL:
 - 38.1. A timing variance of approximately \$1.0 million was reported during the Variance Period due to the fact that some of the transfers to RRIF and LIF Holders available pursuant to the Third DIL Distribution have not all been requested or completed and the fact that the Final DIL Distribution has not yet been released; and
 - 38.2. One permanent variance over \$25,000 was reported during the Variance Period. This negative variance of approximately \$67,000 was due to the 2018 AMPs being higher than originally forecast. The 2018 AMPs are calculated based on the amount held in each RRIF and LIF on December 31,

2017. As at that date, many RRIF and LIF Holders had not yet requested the transfer of the Third DIL Distribution, which resulted in the 2018 AMPs being higher than originally forecast.

ECHS

39. Following the sale of the Parsonage Lot, the CCAA proceedings for ECHS will be complete. As such, ECHS will not be providing any further cash flow forecasts.
40. The Monitor only received the Variance Analysis for ECHS at the time that the Thirty-Fourth Report was being finalized. The Monitor is reviewing the Variance Analysis for ECHS and will report on the Variance Analysis for ECHS in a subsequent report.

EMSS

41. The CCAA proceedings for EMSS are complete. As such, EMSS will not be providing any further cash flow forecasts.
42. The Monitor only received the Variance Analysis for EMSS at the time that the Thirty-Fourth Report was being finalized. The Monitor is currently reviewing the Variance Analysis for EMSS and will report on the Variance Analysis for EMSS in a subsequent report.

Conclusion

43. The Thirty-Fourth Report has been prepared to provide the Court with information regarding the March 8 Hearing.
44. As reflected herein, the Monitor is supportive of the Church and School Settlement based on the following:
 - 44.1. The Church and School appear to have limited ability to repay the Church and School Loans;
 - 44.2. The Church and School Transfer allowed the shareholders of Sage, who are also the District's creditors, to benefit from any value generated by the ongoing operation of the Church and School or the future sale of the Church and School Buildings; and
 - 44.3. The District Committee has approved the Church and School Settlement.
45. As reflected herein, the Monitor is supportive of the sale of the Parsonage Lot based on the following:
 - 45.1. The significant amount of time that the Parsonage Lot has been exposed to the market and the additional challenges associated with the sale of the Parsonage Lot, as identified by RE/MAX; and
 - 45.2. The District and DIL Committees have approved the sale of the Parsonage Lot.

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



Vanessa Allen, B. Comm, CIRP, LIT
Senior Vice-President

Schedules

Schedule 1

The District including CEF
Variance Analysis
For the period from November 12, 2017 to February 10, 2018

	Total Forecast	Total Actual	Variance (A-F)	Notes
Cash flow from CEF operations				
Receipts				
Transfer of funds held in trust	\$ 4,250,000	\$ 4,250,000	\$ -	
Bank interest income	300	3,307	3,007	1
Total Receipts	4,250,300	4,253,307	3,007	
Disbursements				
Distributions Pursuant to the District Plan	(4,268,093)	(4,292,198)	(24,105)	2
CEF salaries and benefits	(93,892)	(42,630)	51,262	2
Operating expenses	(5,610)	(1,416)	4,194	1
Restructuring Fees	(150,000)	(105,851)	44,149	2
CRO	(15,750)	(22,908)	(7,158)	1
Total disbursements	(4,533,345)	(4,465,003)	68,342	
Net cash flow from CEF operations	(283,045)	(211,696)	71,349	
Cash flow from other District operations				
Receipts				
Donations	-	6,548	6,548	3
Miscellaneous receipts	-	8,945	8,945	4
Agency Funds/Restricted Funds	1,515	5,694	4,179	1
Mission remittances	114,988	130,193	15,205	1
Total receipts	116,503	151,380	34,877	
Disbursements				
Salaries and benefits	(22,383)	(27,115)	(4,732)	1
Administrative expenses, travel and utilities	(15,641)	(22,496)	(6,855)	1
Legal fees (Representative Action)	-	(26,996)	(26,996)	5
Outreach operating expenses	(23,700)	(27,800)	(4,100)	1
Parish and school services operating expenses	-	(2,551)	(2,551)	6
Department of Stewardship and Financial Ministries operating expenses	(9,250)	(7,600)	1,650	1
President's expenses	(9,000)	(7,490)	1,510	1
Mission payments to LCC	(24,750)	-	24,750	2
Total disbursements	(104,724)	(122,048)	(17,324)	
Net cash flow from other District operations	11,779	29,332	17,553	
Total net cash flow	\$ (271,266)	\$ (182,364)	\$ 88,902	
Cash and marketable securities on hand				
Beginning balance	\$ 1,248,992	\$ 1,248,992	\$ -	
Total net cash flow	(271,266)	(182,364)	88,902	
Net Change (investments & US Account)	-	1,644	1,644	
Ending Balance	\$ 977,726	\$ 1,068,272	\$ 90,546	

Notes:

1. Permanent variances as a result of receipts /expenses being higher/ lower than initially forecast.
2. Timing related variances, which are expected to reverse themselves in future weeks.
3. Permanent variance due to the receipt of donations, which were not included in the original forecast.
4. Permanent variance due to the reimbursement of invoices paid by the District for third parties.
5. Permanent variance due to legal fees incurred in relation to the Representative Action, which were not originally forecast.
6. Permanent variance due to additional funding being required for various parish and school programs, beyond what was originally forecast.

Schedule 2

DIL
Variance Analysis
For the period from November 12, 2017 to February 10, 2018

	<u>Total Forecast</u>	<u>Total Actual</u>	<u>Variance (A-F)</u>	<u>Notes</u>
Receipts				
Bank interest	\$ 10	\$ 4,204	\$ 4,194	1
GWL returned distribution	-	2,828	2,828	2
Miscellaneous receipt	-	2,138	2,138	1
Total receipts	10	9,169	9,159	
Disbursements				
Management fee	(2,000)	(7,803)	(5,803)	1
Restructuring fees	(63,758)	(52,529)	11,229	1
Operating Expenses	(15,040)	(13,052)	1,988	1
CRO	(4,200)	(3,806)	394	1
RRIF Distribution	(2,670,792)	(1,633,160)	1,037,632	3
Annual Minimum RRIF payments	(5,500)	(72,331)	(66,831)	4
Total disbursements	(2,761,290)	(1,782,682)	978,608	
Net cash flow	\$ (2,761,280)	\$ (1,773,512)	\$ 987,768	
Cash and marketable securities on hand				
Beginning balance	\$ 2,761,280	\$ 2,761,280	\$ -	
Total net cash flow	(2,761,280)	(1,773,512)	987,768	
Ending Balance	\$ -	\$ 987,768	\$ 987,768	

Notes:

1. Permanent variances as a result of receipts /expenses being higher/ lower than initially forecast.
2. Great-West Life Assurance Company ("GWL") returned funds to DIL, which were provided for distribution to a DIL Depositor, who was deceased. The funds are being sent back to GWL with updated distribution instructions.
3. Timing related variances, which are expected to reverse themselves in future weeks.
4. The 2018 AMPs are calculated based on the amount held in each RRIF and LIF on December 31, 2017. As at that date, many RRIF and LIF Holders had not yet requested the transfer of the Third DIL Distribution, which resulted in the 2018 AMPs being higher than originally forecast.