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

JUDICIAL CENTRE **CALGARY**

DOCUMENT **THIRTY-SEVENTH 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 APRIL 18, 2019

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

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Introduction and Notice to Reader

Introduction

1. On January 23, 2015 (the "Filing Date"), Lutheran Church – Canada, the Alberta – British Columbia District (the "District"), Encharis Community Housing and Services ("ECHS"), Encharis Management and Support Services ("EMSS") and Lutheran Church – Canada, the Alberta – British Columbia District Investments Ltd. ("DIL") (collectively the "Applicants" or the "District Group") obtained an Initial Order (the "Initial Order") from the Court of Queen's Bench of Alberta (the "Court") under the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36*, as amended (the "CCAA"). Deloitte Restructuring Inc. ("Deloitte") was appointed as Monitor (the "Monitor") in the CCAA proceedings.
2. For clarity, the District includes the Church Extension Fund ("CEF"), which was originally created to allow District members to loan their money and earn interest in faith-based developments. CEF was operated under the purview of the District's Department of Stewardship and Financial Ministries and was not created as a separate legal entity. As such, depositors to CEF are creditors of the District. Depositors to DIL will be referred to as the "DIL Depositors".
3. The Initial Order provided for an initial stay of proceedings (the "Stay") until February 20, 2015. The Court subsequently granted nine (9) extensions of the Stay. The most recent Order was granted at an application on September 2, 2016 and extended the Stay until the earlier of December 31, 2016, or the date on which Certificates of Plan Termination (the "Certificate(s)") were filed signaling the completion of the plans of compromise and arrangement for all of the District (the "District Plan"), DIL (the "DIL Plan"), ECHS (the "ECHS Plan") and EMSS (the "EMSS Plan"), all as subsequently amended (collectively the "Applicants' Plans"). On November 15, 2016, the Applicants' legal counsel wrote a letter to the Court (the "Stay Letter") noting that the Monitor would not be in a position to file the Certificates by December 31, 2016. The Stay Letter also noted that the Sanction Orders granted in respect of the Applicants' Plans extended the Stay until the Certificates were filed and that, as a result, another Court application was not necessary to extend the Stay. On October 25, 2017, the Court granted two Orders partially lifting the Stay (the "Stay Orders") to allow the legal actions undertaken on behalf of participating District and DIL Depositors (the "Representative Actions") to proceed.
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-six reports dated between February 17, 2015 and July 26, 2018 (collectively, the "Reports").
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 Applicant's 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. This report represents the Thirty-Seventh Report of the Monitor (the “Thirty-Seventh Report”). The Thirty-Seventh Report is being prepared to provide the Court with additional information regarding the following application, which is scheduled to be heard by the Court on April 25, 2019 (the “April 25, 2019 Hearing”):
 - 13.1. An application by the District to approve the sale of its interest in approximately 4.08 acres of land in the community of Tuscany in Northwest Calgary (the “Tuscany Lands”).

Status of the Applicants' Plans

14. The following is a summary of the status of the Applicants' Plans.

The District Plan

15. The District has completed construction of the emergency access road as required in the settlement with Foothills Lutheran Church of Calgary (the "Foothills Settlement"), save and except for the apron described in the affidavit of Cam Sherban, sworn April 17, 2019. The District's legal counsel has recovered approximately \$266,000 of remaining funds held in trust after completion of the road. As per the Foothills Settlement, Foothills Lutheran Church of Calgary ("Foothills"), will be entitled to 25.61% of the recovered holdback amount, after reimbursement to the District for reasonable expenses in construction of the emergency access road.
16. The District has entered into a purchase and sale agreement for the Tuscany Lands, conditional upon approval of the Court, as further described below.
17. Subsequent to the closing of the sale of the Tuscany Lands, the District and the Monitor will proceed with the final requirements towards completion of the CCAA proceedings, as set out in section 7.1 of the District plan. These steps will include:
 - 17.1. Liquidation of remaining marketable securities held by the District for the benefit of its creditors;
 - 17.2. Final accrual and payment of remaining CCAA professional fees and costs;
 - 17.3. Application for taxation of the professional fees of the Monitor and the Monitor's legal counsel;
 - 17.4. Distribution of the remaining funds on hand and held in trust to the District's creditors;
 - 17.5. Delivering instructions to the District Representative Counsel for the pro rata distribution of funds remaining in the Representative Action Pool, as set out in the Sixth Amended Plan of Compromise and Arrangement of Lutheran Church-Canada, The Alberta – British Columbia District;
 - 17.6. Closure of the District CEF bank accounts; and
 - 17.7. Issuance of the Certificate for the District.

The DIL Plan

18. DIL's CCAA proceedings are complete. The Certificate for DIL will be issued upon completion of the Sequence of Events set out in Section 7.1 of the District Plan.

The ECHS Plan

19. ECHS' CCAA proceedings are complete. The Certificate for ECHS will be issued upon completion of the Sequence of Events set out in Section 7.1 of the District Plan.

The EMSS Plan

20. EMSS' CCAA proceedings are complete. The Certificate for EMSS will be issued upon completion of the Sequence of Events set out in Section 7.1 of the District Plan.

The Tuscany Lands

21. As previously reported, Colliers International (“Colliers”) has been marketing the District’s interest in the Tuscany Lands since October 2017. The Tuscany Lands were initially listed for a price of \$4,000,000. Colliers has encountered several difficulties in selling the lands, primarily surrounding the ability for potential purchasers to rezone the lands.
22. In an attempt to create greater interest from prospective purchasers, the list price was subsequently reduced to \$3,300,000. Despite this decrease in list price, the lands failed to garner significant interest from third parties.
23. In October 2018, after being marketed by Colliers for a year with no offers to purchase, preliminary discussions took place to explore the possibility of transferring the lands to Sage, for the future benefit of Sage shareholders.
24. Subsequently in October 2018, an offer to purchase the Tuscany Lands was received. The District accepted this offer, subject to several conditions, including approval of the District creditors committee, and the Court.
25. On February 28, 2019, the purchaser indicated its conditions to purchase had been satisfied. The District creditors’ committee (the “District Committee”) subsequently approved the sale on March 27, 2019.
26. As set out above, at the April 25 Hearing, the District will be seeking approval for the sale of the Tuscany Lands. The purchaser is 1906163 Alberta Ltd., operating as Regal Developments.
27. As per the terms of the previously reported settlement with Foothills Lutheran Church of Calgary (“Foothills”), Foothills will be entitled to 25.61% of the net sale proceeds, after deduction of the District’s selling expenses related to the Tuscany Lands.
28. Based on the Monitor’s review, it is satisfied that the sale of the Tuscany Lands is commercially reasonable, given the significant amount of time that the Tuscany Lands has been exposed to the market, and the additional challenges associated with the sale of the Tuscany Lands, as identified by Colliers. The sale of the Tuscany Lands has also been approved by the District Committee. As such, the Monitor is supportive of the sale of the Tuscany Lands as outlined above.
29. The Monitor understands that the proceeds from the sale of the Tuscany Lands will be held in trust for the purpose of being distributed to the District’s creditors pursuant to the District Plan.

Conclusion

30. As reflected herein, the Monitor is supportive of the sale of the Tuscany Lands based on the following:

- 30.1. The significant amount of time that the Tuscany Lands has been exposed to the market and the additional challenges associated with the sale of the Tuscany Lands, as identified by Colliers;
- 30.2. The District Committee has approved the sale of the Tuscany Lands; and
- 30.3. The sale appears to be commercially reasonable.

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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