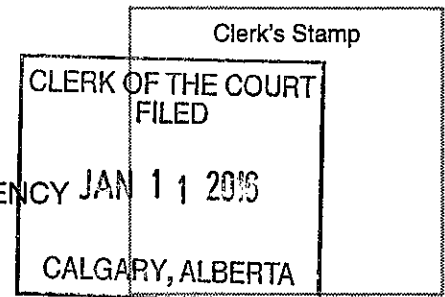


COURT FILE NUMBER 1501-00955
COURT COURT OF QUEEN'S BENCH
OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTRE CALGARY



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 /Ksena J. Court

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

File No.: 103,007-003

**AFFIDAVIT OF CAMERON SHERBAN
Sworn on January 11, 2016**

I, CAMERON SHERBAN, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the Chief Restructuring Officer of the Applicants. 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 prior Affidavits filed in these proceedings 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 January 29, 2016 to April 29, 2016;
 - (b) orders sanctioning the Amended Amended Plans of Compromise and Arrangement of ECHS and EMSS;
 - (c) such further and other relief as this Honourable Court may allow.
4. I am advised by the Monitor that it anticipates that the Eleventh Report of the Monitor will be filed subsequent to this Affidavit. I will review the Eleventh 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 viable restructuring plans to enable the Applicants to emerge from these proceedings.

COMMUNICATIONS WITH DEPOSITORS

6. The District and representatives from my office continue to answer calls and emails from Depositors and others who have questions about their accounts and the *CCAA* proceedings.
7. The Monitor continues to maintain its 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.

STATUS OF RESTRUCTURING PLANS

8. The Restructuring Committee, representatives from my office, and the Monitor continue to meet on a weekly basis.

9. The DIL Plan, which was prepared in consultation with the Monitor, the CRO and counsel for the DIL Creditors' Committee, has been finalized. On December 1, 2015, an Order was granted approving the DIL Creditors' Meeting, which is scheduled for January 23, 2016.
10. The information respecting the DIL Creditors' Meeting has been sent out by the Monitor.
11. Upon further review of the DIL Plan, it is intended that a further amended plan will be filed by DIL. The amendments make minor adjustments to the wording respecting the Representative Action. A draft of these amendments has been circulated to the Monitor and counsel for the Creditors' Committees.
12. The portions of the District Plan and the DIL Plan that were dependent upon negotiations between the DIL Creditors' Committee and the District Creditors' Committee have been settled. A Consent Order respecting the settlement was granted January 4, 2016.
13. The District also received the further appraisal information that it was waiting for in order to be in a position to put forward its Plan of Compromise and Arrangement.
14. Further drafts of the District Plan have been prepared and are being circulated in consultation with the Monitor, my office, the Restructuring Committee, and the District Creditors' Committee.
15. I am advised by representatives of the District that Rev. Nolan Astley, the LCC Interim Pastoral Leader, Roland Kubke, the District Chair, and Glenn Schaeffer, the District President are working on a reconciliation plan. I am advised by representatives of the District that the purpose of this plan is to facilitate healing within the Church and to work toward restoring relationships between individuals affected by the insolvency of the Applicants. Details of this reconciliation plan will be forthcoming.
16. On November 5, 2015, the Court granted authorization for ECHS and EMSS to hold their Creditors' Meetings. Information respecting the ECHS and EMSS Creditors' Meetings were sent out by the Monitor. Amended Amended Plans of Compromise and Arrangement for ECHS and EMSS were finalized and were filed with the Court on December 8, 2015 (respectively the "ECHS Plan" and the "EMSS Plan"). These amended plans were also posted to the Monitor's website.
17. On December 22, 2015, the ECHS and EMSS Creditors' Meetings were held. The Required Majority of the Eligible Affected Creditors (as those terms are defined in the

ECHS Plan and the EMSS Plan) was achieved for both the ECHS Plan and the EMSS Plan.

18. I believe that the ECHS Plan is fair and reasonable in the circumstances for the following reasons:

- (a) The Affected Creditors of ECHS were classified into two classes, Trade Creditors and Life Lease Residents. The Affected Creditors in each class are treated the same. Under the ECHS Plan, the Trade Creditors will have their proven claims paid in full. The Life Lease Residents will receive fee simple title to the condominiums that are subject to the life leases upon payment of \$3,000. The ECHS Plan contemplates that other assets of ECHS, namely those involving the Prince of Peace Village, will be transferred to a new company in conjunction with the plan of compromise and arrangement to be filed by the District.
- (b) I am advised by the Monitor that it is supportive of the ECHS Plan.
- (c) The ECHS Plan has been approved by the Affected Creditors of ECHS.
- (d) The approval of the ECHS Plan is in the public interest as it will facilitate the continuing care of the older adults living in the Manor and Harbour.

19. I believe that the EMSS Plan is fair and reasonable in the circumstances for the following reasons:

- (a) The Affected Creditors of EMSS were classified into one class and are treated the same. The Affected Creditors of EMSS are being paid their proven claims in full. The EMSS Plan contemplates that other assets of EMSS will be transferred to the same new company in conjunction with the plan of compromise and arrangement of the District. The employees of EMSS will also be rehired by the new company.
- (b) I am advised by the Monitor that it is supportive of the EMSS Plan.
- (c) The EMSS Plan has been approved by the Affected Creditors of EMSS.
- (d) The approval of the EMSS Plan is in the public interest as it will facilitate the continuing care of the older adults living in the Manor and Harbour. It will also maintain the employment of the people working at the Manor and Harbour.

20. Throughout the CCAA proceedings, I believe that the Applicants have been complying with all statutory requirements and have adhered to all previous Orders granted by the Court. I am not aware of any actions taken in these proceedings that were not authorized by the CCAA or that are in contravention of any Court Orders.
21. If the ECHS Plan and the EMSS Plan are sanctioned by the Court, ECHS and EMSS anticipate implementing the plans upon all conditions precedent having been met.

CLAIMS PROCESS

22. The claims process was approved in the February 2015 Order. The Claims Bar Date was on April 20, 2015. The Monitor is responsible for administering the claims process. The Applicants assisted the Monitor in this process by providing the necessary statements and other information.
23. The Applicants understand that there are a few disputed claims that will need to be settled and that the Monitor is in the process of dealing with these disputed claims.

TRANSFER OF FUNDS TO DIL DEPOSITORS

24. Further to the Order granted on August 28, 2015, as amended on November 5, 2015, the new registered accounts continue to be set up with GWL. DIL has provided the initial payment of funds to GWL.

UPDATE ON DIRECTORS' & OFFICERS' INSURANCE

25. The Applicants, through their general legal counsel, have continued to correspond with the insurer respecting the continuation of the Directors and Officers insurance coverage for the District. The insurer for the District advised on November 3, 2015 that it extended the coverage to January 29, 2016. Payment of the premium for this period in the amount of \$3,299.00 has been paid. Attached hereto and marked as **Exhibit "A"** is a copy of the Endorsement from the District's insurer dated October 28, 2015.

SALE AGREEMENTS

26. The Applicants continue to sell properties that they view as being not essential for the Applicants to retain under the plans of compromise and arrangement. All sales of such properties are subject to Court approval. The sales have also been communicated to the Creditors' Committees. Unless otherwise directed by Court order, all net sale proceeds are being held in trust and included in the plans of compromise and arrangement.

Revelstoke Property

27. The sale of the Revelstoke Property closed on September 29, 2015.
28. Attached hereto and marked as **Exhibit "B"** is a copy of the Statement of Adjustments and Statement of Receipts and Disbursements respecting the sale. Bishop & McKenzie LLP currently holds \$357,908.05 in an invested trust account.

Concordia

29. Bishop & McKenzie LLP has received the funds necessary to complete this transaction. Upon the City of Edmonton signing off on the lease assignment, the Approval and Vesting Order will be filed with the Land Titles Office. Upon issuance of a new title showing the leasehold title in the name of the congregation, this transaction will be complete.

St. Albert

30. The sale of the St. Albert Lands closed on December 15, 2015.
31. Attached hereto and marked as **Exhibit "C"** is a copy of the Statement of Adjustments and Statement of Receipts and Disbursements respecting the sale. Bishop & McKenzie LLP currently holds \$4,831,097.78 in an invested trust account in relation to that sale.

FINANCIAL

32. The Applicants' cash flow reports (the "Cash Flows") for the period ending March 12, 2016 were filed January 5, 2016. The Cash Flows have been prepared in consultation with the Monitor.


SUMMARY

33. 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.
34. The steps that the Applicants have taken since the Affidavit filed October 13, 2015 to further the development of the Plans of Compromise or Arrangement are as follows:
- (a) communicated with the Depositors, and the Applicants' other stakeholders regarding the CCAA process, plans that have been developed to date, and responded to other questions asked;
 - (b) the Restructuring Committee met to discuss developing the restructuring plans, from both a financial and ministry perspective, and gathered information to consider how future operations should be conducted;
 - (c) the Restructuring Committee, in consultation with the Monitor and the CRO, developed further drafts of the District Plan, which are currently under review;
 - (d) District began working on a reconciliation plan;
 - (e) the Restructuring Committee, in consultation with the Monitor and the CRO has finalized the Plan of Compromise and Arrangement for DIL;
 - (f) the board of directors for DIL met and approved the DIL Plan;
 - (g) DIL applied for and obtained an Order authorizing its Creditors' Meeting;
 - (h) DIL made payment of funds to GWL for distribution to the new registered accounts being established for the DIL Depositors;
 - (i) ECHS and EMSS held their Creditors' Meetings;
 - (j) cooperated with the Monitor and provided information necessary;
 - (k) communicated with congregations regarding Mission Remittances;


- (l) accounted for all Mission Remittances received and segregated 35% of the Mission Remittances received from congregations who have not directly sent funds to LCC;
- (m) the CRO has consulted with and encouraged congregations to find alternate financing for their loans with the District and/or DIL;
- (n) closed the sale of the St. Albert Lands;
- (o) continued to work on the sale of other properties that are not essential assets for the Applicants to retain under the proposed Plans.

35. I make this Affidavit in support of an Application for the relief described above.

SWORN BEFORE ME at Calgary, Alberta,
this 11 day of January, 2016.



 Commissioner for Oaths in and for Alberta
NOLAN SHOULDICE
 Barrister & Solicitor



 Cameron Sherban



ENCON Group Inc.
500 - 1400 Blair Place
Ottawa, Ontario K1J 9B8
Telephone 613-786-2000
Facsimile 613-786-2001
Toll Free 800-267-6684
www.encon.ca

Endorsement

Endorsement No.: 0016
Standard Form: DONP41A
Attached to and forming part
of Policy Number: NP-428530

Policy Period Amendment

In consideration of an additional premium of \$3,299, it is agreed that Item 3 of the Declarations is amended to read as follows:

3. POLICY PERIOD: 01 January 2014 to 29 January 2016
at 00:01 local time at the address
shown above without tacit renewal

Except as otherwise provided by this endorsement, all terms, provisions and conditions of this policy shall have full force and effect.

Issued to: THE LUTHERAN CHURCH-CANADA,
THE ALBERTA-BRITISH COLUMBIA DISTRICT
and all other INSUREDS under this policy.

Effective Date: 30 October 2015, 00:01 local time

Executed and signed on behalf of the INSURERS by ENCON Group Inc., as duly authorized.

Dated: 28 October 2015

Jean F. Laurin, President
Authorized Representative

THIS IS EXHIBIT "A"
referred to in the Affidavit of
Cameron Sherban
Sworn before me this 11
Day of January, 2016
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

NOLAN SHOULDICE
Barrister & Solicitor

MEGHANN HUTTON NOTARY PUBLIC

SELLER STATEMENT OF ADJUSTMENTS

Seller: Lutheran Church-Canada, The Alberta-British Columbia District
Buyers: William Scott James LeBuke and Maryjean Louisa LeBuke
Civic: 1502 Mountain View Drive, Revelstoke, BC, V0E 2S0
Legal: Parcel Identifier: 008-991-138, LOT 1 SECTION 23 TOWNSHIP 23
 RANGE 2 WEST OF THE 6TH MERIDIAN KOOTENAY DISTRICT PLAN
 16318
File Ref. No: 15256
Completion Date: September 29, 2015
Adjustment Date: September 29, 2015
Possession Date: September 29, 2015

	Debit	Credit
Sale Price.		\$375,000.00
Selling Real Estate Commission of \$14,250.00 plus GST payable of \$712.50 to Re/Max Revelstoke Realty. (Excess Deposit in the sum of \$37.50 is being held by Meghann Hutton Notary Public in Trust and will form part of balance due on closing).	\$14,962.50	
Buyers portion of 2015 taxes paid by Seller: \$277.56 Debit Buyers September 29th to December 31st, 2015. \$277.56 X 94 ÷ 365		\$71.48
Buyers portion of quarterly utilities paid by Seller. Utilities: \$187.60 Credit Seller September 29, 2015 to September 30, 2015. \$187.60 X 2 ÷ 92		\$4.08
Balance payable to Lindsay Kenney LLP "In Trust":	\$360,113.06	
	\$375,075.56	\$375,075.56

E. & O.E.

See next page attached hereto and forming a part of the Statement of Adjustments.

Initials:

			
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THIS IS EXHIBIT " B " referred to in the Affidavit of Cameron Sherban
 Sworn before me this 11
 Day of January A.D., 2016
A COMMISSIONER FOR OATHS
 IN AND FOR THE PROVINCE OF ALBERTA
NOLAN SHOULDICE
 Barrister & Solicitor

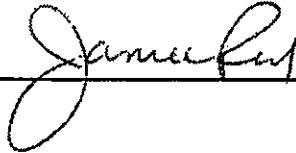
NOTES TO STATEMENT OF ADJUSTMENTS

1. This statement is based on information supplied to Meghann Hutton Notary Public by Provincial and Municipal offices, Mortgagees and others. It is believed to be correct but its accuracy is not guaranteed. The Seller should carefully check the statement to verify its accuracy. Errors and omissions are excepted.
2. If the current year's taxes are not known, the tax adjustment has been based on the previous year's taxes, plus an estimated increase. Once the current year's taxes are known, the readjustment of taxes may be settled directly between the parties.
3. If the Buyers receive a credit for taxes, then it shall be the Buyers' responsibility to pay the current year's taxes in full when due, unless otherwise specified herein.
4. Any Items not specifically adjusted in this statement will be adjusted and settled directly between the parties.
5. The representations and warranties in the Contract of Purchase and Sale and Statement of Adjustments shall survive the closing.
6. The Seller certifies and warrants that it is a Canadian resident and that it will not be a non-resident of Canada within the meaning of the Income Tax Act (Canada) at the time of the sale.
7. The documents necessary to effect the purchase and sale contemplated herein may be executed in one or more counterparts, each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement.
8. The Seller agrees to accept tender by way of Notary's trust cheque to be made payable to: Lindsay Kenney LLP "In Trust" as required by the contract.

EXAMINED, APPROVED and ACCEPTED

Dated this 24 day of September, 2015

Lutheran Church-Canada, The Alberta-British
Columbia District, by its authorized signatory(ies):



Lindsay Kenney LLP
1800 – 401 West Georgia Street,
Vancouver, BC V5B 5A1

STATEMENT OF FUNDS RECEIVED AND DISBURSED

Date: September 29, 2015
Re: Sale of 1502 Mountain View Drive, Revelstoke, BC (the "Property") from
Lutheran Church – Canada, The Alberta-British Columbia District (the
"Seller") to Scott LeBuke and Mary Jean LeBuke (the "Buyers")
Our file: 20152996

	DEBIT	CREDIT
Net sale proceeds received from sale of 1502 Mountain View Drive, Revelstoke, BC		\$360,113.06
To Lindsay Kenney LLP – on account of legal fees, disbursements and applicable taxes	\$3,045.59	
PAID to Bishop McKenzie LLP, in trust – net proceeds from sale and purchase	\$357,067.47	
Total	\$360,113.06	\$360,113.06

LINDSAY KENNEY LLP
E. & O.E.

STATEMENT OF ADJUSTMENTS NO. 1

VENDOR: LUTHERAN CHURCH – CANADA, THE ALBERTA – BRITISH COLUMBIA DISTRICT
PURCHASER: LANDREX INC.
LEGAL DESCRIPTION PLAN 9423702, LOT C
ADJUSTMENT DATE: DECEMBER 15, 2015

	<u>Credit Purchaser</u>	<u>Credit Vendor</u>
Purchase Price		\$5,002,487.00
Tax Adjustment based on 2015 tax levy (\$72.43 x 16/365)		\$3.18
CASH BALANCE DUE ON CLOSING	\$5,002,490.18	
	<hr/>	<hr/>
	\$5,002,490.18	\$5,002,490.18

E & OE

THIS IS EXHIBIT "C"
referred to in the Affidavit of
Cameron Sherman
Sworn before me this
Day of *January*, A.D. 20 *16*

.....
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

NOLAN SHOULDICE
Barrister & Solicitor

STATEMENT OF FUNDS RECEIVED AND DISBURSED

FILE NUMBER 103007-003.0060
CLIENT Lutheran Church - Canada, the Alberta British Columbia District
MATTER Sale of King of Kings, St Albert, Alberta

		RECEIVED	DISBURSED
12/10/2015 – Cash shortfall from Landrex Inc.	\$	1,752,490.18	
12/14/2015 – Cash to Close from Landrex Inc.	\$	3,250,000.00	
12/17/2015 – Pay Invoice - Colliers Macaulay Nicolls Inc.		\$	157,578.34
12/19/2015 – Pay Invoice – Bishop & McKenzie LLP		\$	13,814.06
Balance In Trust		\$	4,831,097.78
TOTAL	\$	5,002,490.18	\$ 5,002,490.18

E. & O.E.