Form 27
[Rules 6.3 and 10.52(1)]

COURT FILE NUMBER	1501 – 00955
COURT	COURT OF QUEEN'S BENCH OF ALBERTA IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTER	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 OF MARILYN HUBER
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Allan Garber Professional Corporation Barrister and Solicitor Suite 108, 17707 105 Avenue Edmonton, AB T5S 1T1 Attn: Allan A. Garber Tel: (587) 400-9310 Fax: (587) 400-9313 File No.: 156-2015AG

Clerk's Stamp

CLERK OF THE COURT
FILED
JUN 27 2016
JUDICIAL CENTRE OF CALGARY

AFFIDAVIT OF MARILYN HUBER

Sworn on June 26, 2016.

I, Marilyn Huber, of Edmonton, Alberta

SWEAR AND SAY THAT:

1. I am one of the Plaintiffs in a class proceeding commenced in Court of Queen's Bench of Alberta, Judicial District of Edmonton, Action Number 1603 – 03142. A copy of the Statement of Claim is attached as Exhibit "A" to my Affidavit sworn February 24, 2016.

2. I attended the information meetings hosted by Deloitte about the Alberta-British

Columbia District plan held in Sherwood Park, Alberta on April 25, 2016 and in Red Deer, Alberta on April 26, 2016.

3. At the Sherwood Park meeting, Sharon Sherman and I brought copies of a letter dated April 14, 2016 to distribute to meeting attendees. A copy of the letter is attached as Exhibit "A" to this my Affidavit.

4. When Sharon and I started distributing the letter, Vanessa Allen of Deloitte asked if we were handing something out. She asked for a copy of our letter and told us we were not allowed to distribute the letter because we had not obtained her permission. I said it was a public meeting. She went away and then came back. She said we needed to say that the letter was not from the Monitor and we needed to move out of the sanctuary where the information meeting was being held, and into the foyer.

5. We moved to the foyer and told every person we gave the letter to that it was not from the Monitor and it expressed a different point of view. The pastor at the Sherwood Park church was kind to us and did not impede the distribution of our letter.

6. Vanessa Allen opened the Sherwood Park meeting by saying they were going to court the following day to ask approval for a second distribution on the DIL Plan. They anticipated this would be approved. I thought this was a strange way to begin the meeting since we were there to obtain information about the District Plan.

7. During the meeting, Vanessa Allen continually used language such as "when the plan is approved"..., "when you get your $5,000.00 convenience payment"..., "when the 15% distribution is received"..., "when you own NewCo shares" as if everything had already been approved. She said nothing about the risks of owning NewCo shares.

8. Vanessa did not know the answers to many questions. When she was pushed, her typical response was "We can talk about that off-line after the meeting." One depositor asked about the Gowling's memo attached as Schedule 3 to the Monitor's 14th Report and the potential tax consequences of exchanging debt for equity in NewCo. Vanessa said he needed to consult his tax accountant and the depositor said "I did consult my tax consultant." He kept asking for clarification and Vanessa always responded "You need to consult your tax accountant." Many of the CEF depositors do not have resources to go out hire their own tax accountants, especially those whose life savings are in CEF and DIL.

9. Vanessa explained how creditors were to fill out their election letter. She spent a lot of time on this issue even though it was not complicated. She invited attendees to submit their election letters at the meeting. She said the same information would be presented at the Calgary meeting, inferring there was no need to attend the Calgary meeting. I am aware that some people did hand in their election letters that night. I do not know how many.

10. CEF depositors could also submit their election letters by mail, fax or email.

11. On April 26, 2016 I attended the information meeting in Red Deer with my mother. Prior to the meeting, Vanessa Allen and her lawyer, Jeffrey Oliver, told me that they did not want me to distribute the April 14, 2016 letter because it led to too many questions. She said we could distribute the letter after the meeting. I told her I was happy that my letter was achieving its purpose and I would not wait until after the meeting to distribute the letter. I said I would advise recipients, as I did in Sherwood Park, that the letter was not from the Monitor and did not express their view.

12. I started to distribute the letter in the foyer of the Church. I told the people I gave the letter to that it was not from the Monitor, it was from myself and the other representative plaintiff, and that it did not express the views of the Monitor.

13. Then the pastor of the church arrived. When I handed him the letter, he asked "Who are you?" I said "I am Marilyn Huber." He asked me if I was one of the people who believed in suing. I said "Yes, but it would not have been my first choice." He said that I was not allowed to distribute the letter in the church. I then went outside onto the sidewalk leading up to the church and kept handing out the letter. I started to cry because of what happened. I have never been kicked out of a church before in my life.

14. The format of the Red Deer meeting followed the format of the Sherwood Park meeting. Vanessa asked how many of the people present were also DIL investors. Two people put up their hands. Vanessa said "I see there is quite a number of you" and then she went on to discuss the second distribution of the DIL plan for about twenty minutes.

15. Vanessa then went through the convenience payment portion of her presentation and said "I will take one question." An attendee then stood up and asked a question about the overall risks associated with the District Plan. Later in the presentation, the same attendee asked Vanessa about the high density Master Site Development Plan (MSDP) which had been filed in December, 2012. This Plan was for the development of the 55-acre undeveloped portion of the Prince of Peace Properties. The attendee said the MSDP had been approved by Rocky View County, but there was no hope of finishing it because of the expense required - in the order of millions of dollars to complete the infrastructure for roads, right of ways and utilities. She also talked about lengthy timelines for subdivision.

16. The attendee said that the District hired an architect to develop the MSDP "using our money" at a time when the District was already facing financial difficulties.

17. The attendee also talked about the logistical issues with the Harbour and the Manor being on different titles, but the Manor has the kitchen for the Harbour. They run food back and forth.

18. The attendee also talked about an Area Structure Plan (ASP) involving the Prince of Peace properties and the Hamlet of Conrich. The attendee said that no development could occur until the infrastructure required by the MSDP was in place, and that the ASP

was being appealed by the City of Calgary and the Town of Chestermere. She said the appeals would not be heard until the fall of 2016. I believe the information provided by the attendee to be correct. She was very knowledgeable about these issues.

19. This was the first time I heard about the MSDP, the Area Structure Plan, and the problems with subdivision of the Prince of Peace lands. Until I heard this information, I thought subdivision of the Prince of Peace was lands was a foregone conclusion.

20. Vanessa seemed surprised by the attendee's questions and was caught off guard.

21. The Monitor's first report to the CEF creditors dated March 28, 2016 mentions on at least two occasions the opportunities for subdividing the Prince of Peace lands (paras. 37.4 and 84.5.3) but it says nothing about any problems with subdivision.

22. At the Red Deer meeting, Vanessa again told the attendees how to fill out their election letter. She said if they wanted to hand in their election letter at the meeting, they could do so, or they could send it in by mail, fax or email. Again, she said the same information would be presented at the Calgary meeting, inferring there was no need to attend that meeting.

23. I attended the May 14, 2016 District creditors meeting in Calgary. People were voting even before the meeting started.

24. At the beginning of the meeting, Mr. Don Specht made a motion for an independent scrutineer. The motion was seconded from the floor, but Vanessa did not allow the motion to go to a vote. I am very concerned that an independent scrutineer was not allowed given Deloitte's conflict of interest. I do not trust the results of the vote.

25. Vanessa did not give a neutral or balanced presentation. During the portion of her presentation on NewCo shares, Vanessa said nothing at all about the risks associated with owning NewCo shares until I asked her why she hadn't done this. She said the risks were disclosed in one of the Monitor's report. She then read a portion of that report.

26. Vanessa said nothing about the MSDP and the ASP until later in the meeting when the same attendee from Red Deer raised the issues. We were told that the CEF creditors committee did not know about the MSDP or the ASP until Deloitte's letter dated April 29, 2016. When questioned, Vanessa said that Deloitte was aware of the MSDP and the ASP in 2014. No precise date was given. Mr. Sherban, the Chief Restructuring Officer, said he was aware in April, 2015.

27. My mother received the April 29, 2016 letter from Deloitte after the May 14, 2016 meeting. I never did receive the letter through the mail.

28. Sharon Sherman asked Vanessa about a timeline for her 94 year old mother being able to dispose of her shares in NewCo. Vanessa's response was evasive. She could not give a timeline.

29. Many seniors, including my mother and Sharon Sherman's mother, are very worried about their ability to survive financially, and the liabilities that may arise as owners of shares in NewCo. They are also concerned about their inability to sell the shares.

30. I have no assurance that the proposed Board of Directors of NewCo will represent my financial interests or the financial interests of the CEF depositors. None of them are listed as creditors. Sandra Jory, one of the proposed directors, articled at Deloitte and is a member of the CEF Creditor's Committee.

31. I make this Affidavit in opposition to the Application for an Order approving the ABC District Plan of Compromise and Arrangement.

SWORN BEFORE ME at)
)
Edmonton, Alberta, this 26th day of June, 2016.)
)
)
)
)
)
)
)
)
)
)
)
)
)
)

(Commissioner for Oaths in and for the Province of Alberta)

Allan A. Garber
Barrister and Solicitor

Marilyn Huber

This is Exhibit "A" referred to in the Affidavit of Marilyn Huber
Sworn before me this 26 day of June A.D., 20 16
A Notary Public, A Commissioner for Oaths in and for the Province of Alberta

Ms. Marilyn Huber
Ms. Sharon Sherman
c/o #108, 17707 – 105 Avenue,
Edmonton, AB
T5S 1T1

April 14, 2016

VIA Email

To:

All AB Congregations of the Lutheran Church – Canada, Alberta- British Columbia District ("District")

Attention: Directors of Stewardship

Re: Amended Amended Plan of Compromise and Arrangement of Lutheran Church – Canada, the Alberta – British Columbia District dated March 21, 2016 (the "District Plan")

We are Marilyn Huber and Sharon Sherman, and we are depositors to the District Church Extension Fund ("CEF"). Marilyn is a member of the Good Shepherd Lutheran Church in Valleyview, AB, and Sharon's mother is a resident in the Prince of Peace Village. We are writing to you to convey our concerns regarding the District Plan, and to provide you and your congregation with information that may assist you to evaluate the Plan in advance of the District Creditors' Meeting on May 14, 2016 (the "Creditors' Meeting").

Accordingly, we would ask you to please carefully consider this letter as it pertains to your congregation (if it is a CEF depositor), and/or distribute this letter to those members of your congregation who are CEF depositors themselves. Alternatively, please let the members of your congregation know that this information is available on the Facebook page – "Lutheran Church Canada – ABC District Class Action Support and CCAA Opposition Network".

We (Marilyn, and Sharon's mother) have invested a sizeable portion of our life savings in the ABC District's CEF. Many members of your congregation, and perhaps your congregation itself, may be similarly exposed. If approved by the requisite majority of CEF depositors, the Plan will determine how much of our losses will be recovered, and the terms under which recovery may be made. Accordingly, it is extremely important that each and every CEF depositor have a detailed understanding of the Plan and its repercussions in advance of the Creditors' Meeting.

Executive Summary: Please Read these Eight Points

I have a lot to say about the District Plan. However, if you have only a few minutes to read this letter, then I hope that you will read the following eight points and consider voting AGAINST the Plan:

1. The Convenience Payment of $5,000.00 is unfair. Depositors with smaller claims are being fully compensated at the expense of depositors with larger claims. Available cash should be distributed to all depositors on a *pro rata* basis;

2. The NewCo mandate of "maximizing the value of the Prince of Peace Properties" contemplates development of those assets. Elderly and financially vulnerable depositors do not have the time to wait or risk tolerance to gamble that a NewCo development project will yield profits over the course of years;

3. Development of the underserviced and historically money-losing Prince of Peace Properties will require NewCo to borrow additional capital in the range of several million dollars. Those loans will dilute the equity in the NewCo Assets and the value of the NewCo common shares that District wants you to accept in compromise of your claim. In the event that NewCo defaults on those loans, the lender will foreclose on the Properties and NewCo will be driven into bankruptcy, rendering your NewCo shares worthless;

4. The Representative Action provisions of the Plan require depositors to assign all of their legal rights to pursue recovery of the unpaid portions of their claims to an unknown and unaccountable "Subcommittee" which will "hold back" money otherwise payable to them under the Plan to pay for its legal fees and other expenses;

5. Depositors who choose not to participate in the Representative Action or who do not wish to make an open-ended financial commitment to fund the activities of the "Subcommittee" will have <u>no right whatsoever</u> to pursue any other legal claim against any party to recover the unpaid portions of their claims;

6. The Representative Action will not reduce the burden of litigation on the District or any other party, except by granting to the "Subcommittee" the authority to refuse to advance claims by individual depositors, in contravention of depositors' legal rights and s.5.1(2) of the *Companies Creditors Arrangement Act*;

7. The Representative Action offers no benefits to CEF depositors which are not available to them in the class proceedings that have already been commenced pursuant to the B.C. and Alberta *Class Proceedings Acts*, and which will not require depositors to make any up-front payments for legal fees and expenses; and

8. The Representative Action provisions of the Plan have been promoted as a "benefit" to depositors, but have been drafted and endorsed by parties who are potential defendants to the Representative Action and who may stand to benefit from their approval and implementation.

If these eight points have caused you to be concerned about the District Plan, please read on for further details and information.

A. The District Plan

The Monitor has distributed the District Plan as Schedule 1 to its First Report to the Creditors of ABC District dated March 28, 2016 (the "Monitor's Report"). The Monitor's Report addresses two key elements of the Plan: Newco and the Representative Action. We have grave concerns about both of these elements of the Plan, and the manner in which they have been presented to CEF depositors. In our view, the Plan introduces an unacceptable level of risk to all CEF depositors. Further, the Plan has been advanced and endorsed by persons who are not parties to the CCAA proceedings, but who appear to me to have a financial interest in its approval. In this letter, we seek to bring to your attention information that you will not find in the Monitor's Report, and which you may consider to be important to your decision as to how to cast your vote at the Creditors' Meeting.

B. NewCo

(a) The "Convenience Payment"

As stated in the Monitor's Report, the Plan contemplates that a new company ("NewCo") will be formed to take ownership of the Prince of Peace Properties, including the Harbour and Manor seniors' care facilities, the Church and School, and the remaining undeveloped lands (the "NewCo Assets"). Remaining District Assets (the "Non-Core Assets") will be sold.

Each CEF depositor will receive a cash "Convenience Payment" of the lesser of $5,000.00 or the full amount of their claim. Those with claims in excess of $5,000.00 will receive a further cash payment estimated at 15 – 20% of their claim (based on certain assumptions made by the Monitor) from the proceeds of sale of the remaining District assets (the "Non-Core Assets"). Canada-resident depositors will then receive a *pro rata* share of common shares in NewCo. International depositors will receive an additional cash payout, and no NewCo shares.

There is a basic unfairness in the Convenience Payment proposal, which will result in 62% of CEF depositors and 77% of ordinary trade creditors being repaid in full. Those depositors with claims in excess of $5,000.00 will be paid a much smaller percentage of their claims. For example, a depositor with a $5,000.00 claim will be repaid 100% by way of the Convenience Payment, while a depositor with a $50,000.00 claim will be repaid only 10%. The depositors

with larger claims will subsidize the full repayment of the smaller claims, rather than every depositor's claim being treated equally with a *pro rata* distribution of the available cash.

By this method, it could reasonably be viewed that the District and others who may stand to benefit from the Plan are quite literally "buying" the favourable votes of a majority in number of the CEF depositors. That puts those who were the most supportive of the CEF at a disadvantage, quite the contrary to what the District claimed in its advertisements and promotions of the scheme over the years.

(b) The NewCo Mandate

We are also concerned by the uncertainty surrounding NewCo's future management of the NewCo Assets. NewCo's mandate (what it intends to do to realize the value of the Newco Assets for the benefit of its shareholders) is not stipulated by the Plan. It will be decided by a vote of the NewCo shareholders, after the Plan is approved by the Court. However, the "Schedule of Restrictions on Business" that is contained in the NewCo Articles attached to the Plan states that the business of NewCo is to "maximize the value" of the Prince of Peace Properties. According to the Schedule, this can only be changed by a two-thirds vote of the shareholders. According to the Monitor, NewCo may pursue this goal by embarking a long-term, for-profit business venture which could see it expanding the Harbour and the Manor, and developing some or all of the remaining Prince of Peace lands (Monitor's Report, para. 37.4).

As NewCo shares will be distributed on a *pro rata* basis under the Plan, the vote to determine NewCo's mandate will be carried by those shareholders who were the most heavily invested in the CEF. Those shareholders may have the time and financial strength to wait several years for the development of the NewCo Assets to yield the highest return, and the risk tolerance to gamble that a NewCo development of those Assets will not fail as the POP Village development failed. However, those more elderly and financially vulnerable members of your congregation (including many of the depositors holding 60% of the total outstanding claims who are more than 70 years old) who are depending upon the return of their CEF monies to provide for their basic living and health care expenses in their final years cannot afford to wait for, or to gamble with, their retirement savings.

For those who have an appetite for risk, consider the following information carefully. NewCo will not be able to "maximize the value" of the Prince of Peace Properties without cash, and that cash will be raised through borrowing. This will immediately diminish the equity value of your common shares. You may not be aware that the Prince of Peace Properties are not connected to any municipal water supply, and are dependent upon water being trucked in to supply the needs of residents at considerable expense. The cost of connecting the Properties to the municipal water supply in order to increase their value is estimated at between $7,000,000.00 and $10,000,000.00. Additional capital will be needed to run NewCo, pay the salaries of its three managing directors, and operate the historically money-losing and government-subsidized Manor

and Harbour. The development of the Prince of Peace lands has been greedily consuming your savings for decades; there is no reason to think that it's going to stop any time soon.

The NewCo Board may borrow up to 10% of the company's "net asset value" without shareholder consent. The Articles of NewCo do not restrict how the "net asset value" will be determined for purposes of borrowing. However, if the Board values those assets at their (higher) "replacement value" rather than at their (lower) "forced sale" value (at which your shares will be valued) then any borrowing will significantly increase NewCo's debt-to-equity ratio and adversely affect the value of the NewCo shares that you will be saddled with. And when, as most often happens, that borrowed money runs out in the middle of the Board's development project, the pressure will be on the shareholders to authorize additional borrowings to see the project through to completion.

When NewCo is unable to service its debts (like Encharis before it), the company will be forced into bankruptcy (or will take cover under another CCAA procedure, just like the one we're trapped in now) and the shareholders – including the members of your congregation, and perhaps your congregation itself – will be left holding shares that are not worth the paper they are written on. A depositor's debt claim now has power to influence events. Once the debt is converted to shares, however, that power will be transferred to the new lenders of NewCo.

When your congregation and its members made their investments in the CEF, they did so with the expectation that their funds would be loaned to congregations to support the construction of churches and schools in which to carry out the ministry of the Lutheran faith, and that they would earn interest on their deposits. They did not agree, and could not have anticipated, that they could be forced to accept an equity interest in a real estate development venture, the success or failure of which would decide the fate of their retirement savings.

In our view, the open-ended mandate of NewCo and the limited development potential of the NewCo Assets expose CEF depositors to an unacceptable level of risk. It's time to free ourselves from the Prince of Peace Properties, which have been draining our savings for far too long. If the Prince of Peace Properties must be transferred to NewCo in order to avoid ongoing management by ABC District or immediate sale on unfavourable terms, the authority of NewCo to deal with those Assets must be <u>irrevocably</u> limited to short- to medium-term <u>liquidation</u> for the benefit of the shareholders.

For this reason, we oppose the Plan and will vote AGAINST it at the Creditors' Meeting.

C. The Representative Action

Another "key element" of the Plan is the Representative Action. The Representative Action provisions of the Plan (Article 5) provide for the establishment of a Subcommittee of the District Creditors Committee to undertake "any and all steps as they deem necessary and desirable" to commence and prosecute legal proceedings for the recovery of that part of the CEF depositors'

claims that are not paid under the Plan. The types of proceedings which are within the authority of the Subcommittee to commence and advance include claims by individual CEF depositors, claims advanced by a single CEF depositor on behalf of the entire class of depositors (class proceedings), and claims advanced in the name of ABC District against those whose acts caused or contributed to the insolvency of the CEF (derivative claims).

Pursuant to Article 5.5 of the Plan, the Representative Action is the "sole recourse" of the CEF depositors for the unpaid portions of their claims against ABC District and against any other party for any claims whatsoever that may have caused or contributed to their losses. In other words, by accepting the Plan, CEF depositors are forced to assign their own legal right to proceed against any and all parties whatsoever to a Subcommittee comprised of people that they do not know, and who are not obliged to consult with them about the steps that they decide to take, including hiring the legal counsel of their choice. Those CEF depositors who opt out of the Representative Action will have no right to take any other steps to recover the unpaid portions of their claims.

While CEF depositors will have no control over the decisions of the Subcommittee, they will be obliged to pay the cost of its decisions. The Subcommittee will calculate the estimated cost of the Representative Action in consultation with its chosen legal counsel (the "Representative Action Holdback"), and the Monitor will notify the depositors as to the total amount of the Holdback prior to the commencement of the Action. At that point, the depositors will have an opportunity to decide whether to participate in the Representative Action, or to opt out of it. However, the actual amount of legal costs for which each participating depositor will be responsible (and held back from their distribution under the Plan) will be determined by the number of participating depositors, a number that will not be known until the opt-out deadline has passed and it will then be too late for participating depositors to change their minds.

For the sake of illustration, please consider the following example. Assume that the Plan is approved and the Subcommittee estimates the Representative Action Holdback at $100,000.00. Mrs. A, an 89 year old widow on a fixed income, knows that there are approximately 1000 CEF depositors whose claims will not be fully discharged after the Convenience Payment, and on that basis assumes that each of those 1000 depositors will pay a *pro rata* share of the Representative Action Holdback. On the basis of that assumption, Mrs. A chooses to participate in the Representative Action and does not opt out. After the opt-out deadline passes, Mrs. A is notified by the Monitor that only 100 CEF depositors have chosen to participate in the Representative Action and, to her dismay, her share of the Representative Action Holdback is much greater than she expected.

And what happens when the $100,000.00 Holdback runs out and more money is needed to advance the Representative Action? Mrs. A will get a letter from the Monitor asking her to put up more money for legal fees to prosecute the Representative Action, money that she may be unable to afford to pay. As financially strapped depositors are unable to answer those cash calls,

the financial burden on the remaining depositors to put up additional funds or risk the abandonment of the Representative Action will increase.

In a typical class action commenced under provincial class proceedings legislation, class members are not required to pay any money up front for legal fees and expenses. Rather, class counsel charges legal fees on a "contingency fee basis" – in other words, fees are only paid if money is recovered. The Court must approve the fees as reasonable before they are paid from the proceeds of judgment or settlement. There is no "holdback" required.

Like NewCo, the Representative Action provisions of the Plan are simply too risky for the elderly and financially vulnerable members of our congregations. However, those depositors who choose to avoid those risks and opt out of the Representative Action will have no right to take other steps to advance their claims that are better suited to their budgets and their level of risk tolerance.

All of this begs the question, "Why has the District included the Representative Action provisions in the Plan?" That question was addressed by Mr. Francis Taman, counsel for the District, before the CCAA Court during the hearing of the District's application for judicial sanction of the DIL Plan of Arrangement on March 3, 2016. The DIL Plan contains a Representative Action provision similar to the one found in the District Plan. Mr. Taman advised the Court that if litigation against District and its former directors is not managed by way of the Representative Action provisions of the Plan, the limited resources of the District will be overwhelmed and it will be unable to adequately defend the claims and to carry out its ministry and outreach activities.

We challenge this rationale, for the following two reasons:

(a) The Representative Action does not (and should not) reduce litigation against District

First, there is no basis upon which to conclude that the District will be overwhelmed by litigation in the absence of the Representative Action provisions of the Plan. By virtue of existing legal processes available under provincial class proceedings legislation and the common law, there can be only one class proceeding per jurisdiction (province) and only the Courts of those jurisdictions with a "real and substantial connection" to the operation of the CEF (ie. Alberta and B.C.) will allow such proceedings to advance. Accordingly, regardless of whether the Representative Action provisions of the Plan are implemented or not, there can only be a maximum of two class proceedings commenced in respect of the operation of the CEF (one in each of Alberta and B.C.). Derivative actions, which are actions commenced and prosecuted by depositors in the name of District against third parties who caused or contributed to the losses sustained by the CEF, and do not engage the time, staff or other resources of the District.

To the extent that the District expects to derive a benefit from having the Subcommittee manage the flow of post-CCAA litigation, that expectation is not well founded. The Plan contemplates that the Subcommittee will owe fiduciary duties to the CEF depositors who elect to participate in the Representative Action and must therefore act solely in their best interests. Accordingly, the Subcommittee may not make decisions for the benefit of District (including decisions for the purpose of reducing the burden of litigation on the District) and if they do so they will be in breach of their fiduciary duties to depositors.

There is one way in which the Representative Action provisions of the Plan will reduce the number of legal claims advanced against District and other third parties. Under Art. 5.5 of the Plan (the "sole recourse" provision), the Subcommittee has sole authority to authorize the commencement of not just class proceedings, but also individual proceedings. Such proceedings would include, for example, claims by individuals that they were induced to invest monies in the CEF as a result of misrepresentations made by District directors, officers and other representatives. If the Plan is approved, CEF depositors would have to apply to the Subcommittee to have their individual claims prosecuted. If the Subcommittee determines that the Representative Action Holdback monies are best spent on representative actions that benefit a large group of depositors rather than individual claims, it will have the discretion to refuse to commence a depositor's action.

To that extent, the sole recourse provision of the Representative Action article of the Plan may limit litigation against the District. However, it is a limit which is expressly prohibited by law. Section 5.1(2) of the CCAA provides that a provision in a plan of compromise or arrangement for the compromise of claims against directors cannot include claims that are based on misrepresentation or wrongful or oppressive conduct by directors. Therefore, to the extent that the Representative Action provisions of the Plan give the Subcommittee the right to refuse to advance claims which fall within s.5.1(2) of the CCAA and leave the CEF depositors with no other recourse, the Plan contravenes the CCAA and the protections that it provides for creditors. Further, it deprives depositors of the right to advance their individual claims in the way that suits their needs, their ethical and religious beliefs, and their budgets.

(b) The Representative Action may benefit Parties with an Interest in its Approval

Second, we question whether parties other than the District stand to benefit from the Representative Action provisions of the Plan. The Plan has been drafted by District's counsel Mr. Taman and his law firm, Bishop & McKenzie LLP. Mr. Taman and Bishop McKenzie LLP were legal counsel to District during the time that the Prince of Peace Village was being developed and brought to market with CEF money. In the proposed class proceedings recently filed on our behalf in the Alberta Court of Queen's Bench, (see the enclosed Statement of Claim filed on February 22, 2016) it is alleged that Mr. Taman and Bishop McKenzie LLP advised District with respect to, and knowingly facilitated, breaches of trust and breaches of fiduciary duty in relation to the expenditure of CEF monies, and are liable to the CEF depositors as a

result. (Please note that the statements made in the Statement of Claim are allegations which have not yet been proven in a court of law).

Further, a professional accounting firm related to the Monitor, Deloitte & Touche (now Deloitte LLP), was the District's auditor during the same period, 1990 – 1998/99. In a recent hearing before the CCAA court on March 21, 2016, evidence of our demand to District that it commence proceedings against Deloitte & Touche for its negligent failure to identify and report upon the misuse of CEF funds in relation to the purchase and development of the Prince of Peace Village was filed with the Court. A copy of the filed affidavit attaching that demand letter is enclosed. (Again, allegations of negligence against Deloitte & Touche have not yet been proven in a court of law).

Other potential third party participants in the CEF debacle (who are not parties to the CCAA proceedings and who are therefore not entitled to the protection of the Plan) will also stand to benefit from the claims-limiting features of the Representative Action provision. That is simply not appropriate, nor is it contemplated by the CCAA, nor is it necessary to the District's stated purpose of ensuring that it will continue to be able to perform its ministry and outreach functions following the conclusion of the CCAA proceedings.

The Monitor has endorsed the Representative Action provisions of the Plan as "beneficial to depositors". However, CEF depositors may wish to critically examine that statement. To the extent that the Representative Action provisions of the Plan result in reduced participation in the litigation by depositors, the defendants to that Action may stand to gain by virtue of a corresponding reduction of the claims against them.

The Monitor's reasons for endorsing the Representative Action provisions of the Plan are set out at page 60 of its Report. In our opinion, the Monitor's review is one-sided, and given Deloitte & Touche's potential exposure to liability, the Report cannot be assumed to provide a neutral and unbiased assessment of the Representative Action provisions of the Plan.

The Monitor's reasons for endorsing the Representative Action, and our challenge to the Monitor's reasoning, are set out below:

(a) The Representative Action provides a "streamlined process" for the establishment of the Representative Class and the funding of the Representative Action.

As noted above, existing legal procedures available under provincial class proceedings legislation and under the common law already create a "streamlining effect" that cannot and should not be enhanced by the Representative Action provisions of the Plan. There can only be one class proceeding per jurisdiction, and only those jurisdictions which have a "real and substantial connection" to the operation of the CEF (ie. Alberta and B.C.) will be considered appropriate forums for a lawsuit. The same rules apply regardless of whether the Representative Action provisions of the Plan are approved. However, the

Representative Action provisions of the Plan also eliminate a depositor's right to commence an individual action without the permission of the Subcommittee, which would not occur absent the Plan.

(b) *It prevents a situation where District Depositors are being contacted by multiple groups seeking to represent them in a class proceeding or otherwise.*

This concern is unfounded. To our knowledge, no CEF depositor has been contacted by any group or law firm seeking to represent them in a class proceeding or other lawsuit, despite the availability of a list of CEF depositors' names on the Monitor's website.

(c) *Increased recoveries may be achieved in settling the Representative Action Claim on the basis that such settlements will be a resolution of any and all claims of District Depositors.*

This is purely speculative, and is therefore not an acceptable rationale for depriving CEF depositors of their rights to commence and prosecute their own legal claims if they determine that it is in their best interests to do so.

(d) *Selected District Depositors have indicated that they view any involvement in litigation as inconsistent with their personal religious beliefs. The Representative Action Process allows District Depositors to opt-out of the Representative Action before litigation is ever commenced, should that be their preference.*

Individual CEF depositors may have any number of reasons for not wishing to participate in litigation to recover the unpaid balance of their claims, ranging from the personal to the financial to the religious. However, there may be just as many depositors who wish to advance their legal claims in accordance with their own interests, budgets and beliefs. The Representative Action provisions of the Plan compromises the legal rights of the latter group in favour of the religious beliefs of the former group.

The Plan provides for very little information to be provided to CEF depositors about the Representative Action in advance of the opt-out deadline. Pursuant to Art. 5.4 of the Plan, the Monitor has no obligation to provide depositors with anything more than the amount of the Representative Action Holdback, the name of the Representative Action counsel, the names of the Subcommittee members and information about opting out of the Representative Action prior to the opt-out deadline. The Monitor has no obligation to disclose to depositors the information which is essential to the exercise of their religious principles, including the identities of the proposed defendants, and the legal claims to be advanced, before the opt-out deadline expires.

Accordingly, many depositors may opt out of the Representative Action just to avoid the risk of becoming involved in litigation that they know virtually nothing about. Further, if depositors opt out of the Representative Action to avoid conflict with religious parties (who may be insured against these claims in any event), secular parties who have caused or contributed to the losses in the CEF will benefit.

By way of contrast, under provincial class proceedings legislation a legal action is commenced by one or more class members and does not become a class proceeding until it has been certified as such by the Court. At that time, all persons meeting the class description automatically become class members, subject to their right to opt out of the class. Class members are notified of the certification and the opt-out deadline (usually 60 – 90 days after certification). Class members then have an opportunity to read the pleadings filed and learn about the claims being advanced before deciding whether to opt out of the proceeding. In our view, these existing legal procedures available under class proceedings litigation allow all CEF depositors to make an informed decision as to whether to participate in a class action, rather than being forced to make a decision in an information vacuum as would happen under the Representative Action provisions of the Plan.

Interestingly, the Monitor makes no comment in its Report as to whether the District's stated rationale for the Representative Action provisions of the Plan – to minimize litigation so that it can continue its ministry and outreach work – is reasonable and supportable. Commenting on whether a plan or compromise or arrangement is necessary to the continued operation of a debtor company's operations is an important part of the Monitor's task. The fact that the Monitor has remained silent on this point in the face of a duty to speak is telling.

In our view, the Representative Action provisions of the Plan unnecessarily restrict CEF depositors' rights to commence and participate in litigation to recover the unpaid portions of their claims. Existing legal processes available under provincial class proceedings legislation and the common law provide adequate procedural safeguards to ensure that depositors are able to pursue class and individual claims in accordance with their own wishes, without that litigation becoming overly burdensome upon District.

For these reasons also, we oppose the Plan and will vote AGAINST it at the Creditors' Meeting.

D. What options are available to CEF depositors?

In the event that the requisite majority of CEF depositors vote against the Plan, other steps will have to be taken to liquidate the District's remaining assets. This could include the appointment

of a receiver-manager/bankruptcy proceedings. This will result in funds becoming available to repay depositors, although it will not result in full recovery of depositors' losses.

Additional recovery can be pursued through participation in class or individual proceedings. One proposed class proceeding has been commenced in B.C., and one has been commenced in Alberta. Those proposed class proceedings are referred to in the Monitor's Report as the "Sugden-Garber Proceedings" (so named by the Monitor for the law firms which represent the proposed representative plaintiffs), and have been stayed (paused) by order of the CCAA Court until the District and DIL Plans have completed the CCAA process. We are the proposed representative plaintiffs in the Garber Proceedings commenced in Alberta on our behalf by our lawyer Mr. Allan Garber. The Sugden Proceedings have been commenced in British Columbia by proposed representative plaintiffs Randy Kellen and Elvira Kroeger, who are represented by their legal counsel Errin Poyner.

A copy of the Statement of Claim filed in the Garber Proceedings on February 22, 2016 is enclosed with this letter. Copies of the Sugden Claim and the Garber Claim can also be found on the Lutheran Church – Canada, ABC District Class Action Support and CCAA Opposition Network Facebook page. As you will note, the defendants to these Proceedings include the Lutheran Church – Canada, the Lutheran Church – Canada Department of Financial Ministries, and Mr. Taman and his law firm Bishop & McKenzie LLP. In the event that the CEF depositors vote to reject the Plan, the Sugden-Garber Proceedings will proceed and additional defendants currently protected by the stay issued in the CCAA proceedings may be added. Again, please note that the matters set out in the Statement of Claim filed in the Garber Proceeding and the Notice of Civil Claim filed in the Sugden Proceeding in B.C. are allegations that have not yet been proven in a court of law.

Once certified as class proceedings, any CEF depositor resident in any jurisdiction in Canada can participate in the Sugden-Garber Proceedings at no up-front cost (ie. no holdback). Legal fees will be charged on a contingency fee basis only in the event that monies are recovered on behalf of CEF depositors. Alternatively, CEF depositors may choose to opt out of the Sugden-Garber Proceedings and pursue an individual claim, or no claim at all. The inordinately complex and expensive procedures contemplated by the Plan for advancing the Representative Action are thereby avoided.

We urge you to share this information with your congregation, to discuss the Plan together and to seek legal and/or financial advice with respect to your own personal circumstances. Our lawyer, Mr. Allan Garber, is happy to receive your inquiries regarding the Garber Proceedings. He can be reached at:

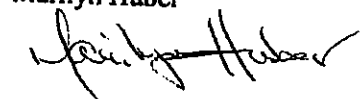
Allan Garber
c/o #108, 17707 – 105 Avenue,
Edmonton, AB
T5S 1T1

Telephone: (587) 400-9311
Fax: (587) 400-9313
Email: allan@garberlaw.ca

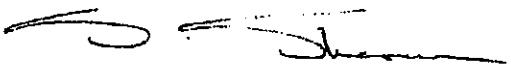
Thank you for your consideration of this information. We hope that you will support us in defeating the Plan by voting AGAINST it at the Creditors' Meeting on May 14, 2016, or by utilizing your mail-in vote.

Yours truly,

Marilyn Huber



Sharon Sherman



Please note: this letter is not intended to and should not be understood to constitute legal advice. Please consult your own legal counsel for advice specific to your own circumstances.