

April 29, 2016

To the Depositors of the Lutheran Church – Canada, the Alberta – British Columbia District (the “District”)

Re: Potential outcomes of the CCAA proceedings

As you are aware, the District obtained an Initial Order under the *Companies’ Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended* (the “CCAA”) on January 23, 2015. Deloitte Restructuring Inc. acts as the Monitor (the “Monitor”) in the CCAA proceedings. Those creditors of the District with proven claims or disputed claims that have not yet been settled or adjudicated will be referred to as the “Eligible Affected Creditors”. Other terms, not otherwise defined in this document, are as included in the District’s Plan of Compromise and Arrangement, as amended (the “District Plan”) and in the Monitor’s First Report to the Creditors of the District, dated March 28, 2016 (the “Monitor’s Report”).

The purpose of this document is to discuss the potential outcomes of the CCAA proceedings, depending on whether the District Plan is approved or fails.

Approval of the District Plan

1. If the District Plan is approved, what will happen?

If the District Plan is approved by the required majority of Eligible Affected Creditors, being both a majority in number and 2/3 in value of voting Eligible Affected Creditors and also approved by the Court, the District Plan will be implemented as described in the Monitor’s Report. For clarity, the Monitor notes the following:

- *If the District Plan is approved, it will bind all Eligible Affected Creditors whether they vote for or against the District Plan; and*
- *The District Plan is being voted on in its entirety and there is no ability to accept one portion of the District Plan and reject another portion of the District Plan.*

Failure of the District Plan

2. If the District Plan fails, what will happen?

There will be a subsequent insolvency proceeding, which will likely take the form of either a further CCAA proceeding or a Court-appointed receivership. For further clarity, the Monitor notes the following:

- *If there is a further CCAA proceeding, the District may either attempt to present a further plan of compromise and arrangement to their creditors or they may seek to liquidate their assets under a Court supervised process; and*
- *If there is a subsequent receivership, the District would no longer maintain control of their assets, which would vest in a Court-appointed receiver and manager (the "Receiver"). The Receiver would then seek to liquidate the District's assets.*

3. If the District Plan fails, will I still receive the Convenience Payment?

No, if the District Plan fails, distributions will not be made as set out in the District Plan. For clarity, Eligible Affected Creditors will still hold their claims and be entitled to participate in future distributions but the timing and quantum of those distributions is uncertain as further described herein.

4. If the District Plan were to fail, how long would further insolvency proceedings take?

In the case of further CCAA proceeding (depending on whether the District attempts to present a further plan of compromise and arrangement to the Eligible Affected Creditors) the Monitor anticipates that these further CCAA proceedings would extend from six to eighteen months, depending on the timing of both subdivision (which is estimated to take six to twelve months) and the sale process.

In the case of a Court-appointed receivership, the Monitor anticipates that these further proceedings would extend from twelve to eighteen months, depending on the timing of both subdivision (which is estimated to take six to twelve months) and the sale process.

5. How will distributions occur if the District Plan fails?

If the District Plan fails and the District attempts to advance a further plan of compromise and arrangement, distributions will be as set out in that further plan of compromise and arrangement. The nature of these payments is not currently known (i.e. cash, shares or a combination).

If the District Plan fails and the District's assets are liquidated either through further CCAA proceedings or through a Court-appointed receivership, distributions would likely consist of cash that would be distributed to Eligible Affected Creditors on a pro-rata basis.

6. When will distributions occur if the District Plan fails?

If the District Plan fails and the District does not attempt to present a further plan of compromise and arrangement to the Eligible Affected Creditors, the timing of future distributions will be somewhat dependent on the length of time required to dispose of the Prince of Peace Properties pursuant to further insolvency proceedings. In order to dispose of the Prince of Peace Properties, foreclosure proceedings may have to be undertaken, the Prince of Peace Properties would need to be subdivided and a fulsome sales process would need to be completed. The Monitor is of the view that it would take between twelve to eighteen months before funds could be made available from the disposition of the Prince of Peace Properties, depending on the timing of both subdivision (which is estimated to take six to twelve months) and the sale process. Having said that, it is possible that interim distributions could be made ahead of that time from cash held in trust from assets that have been sold and from the future sale of assets outside of the Prince of Peace Properties.

7. What amount will be available for distribution if the District Plan fails?

It is difficult to provide an estimate of the quantum of distributions available to Eligible Affected Creditors if the District Plan fails as such distributions would be impacted by multiple factors, including the following:

- The amount of time required to complete further insolvency proceedings;
- The nature of further insolvency proceedings (CCAA or receivership);
- The timing to complete foreclosure proceedings, if required, on the Prince of Peace Properties;
- The timing to complete any required subdivision of the Prince of Peace Properties;
- The market conditions at the time that the Prince of Peace Properties are being sold; and
- The market conditions at the time that the assets outside of the Prince of Peace Properties are being realized on.

The Monitor anticipates the following should the District Plan fail:

- Professional fees will be significantly higher than in the case where the District Plan is approved due to the additional time required to complete further CCAA or receivership proceedings. For clarity, either a further CCAA or receivership proceeding will require the ongoing participation of the professionals who are

currently involved in the CCAA proceeding and, in the case of a receivership, may require the participation of additional insolvency professionals.

- In a receivership scenario, realizations on assets outside of the Prince of Peace development that have not yet been disposed of are anticipated to be 10% to 20% lower than they would be if sold in an orderly manner in the current CCAA proceedings;
- In a forced liquidation pursuant to a CCAA or receivership, realizations on the Harbour and Manor senior's care facilities are anticipated to be up to 15% lower than they would be if sold in an orderly manner outside of CCAA proceedings, such as by NewCo. Additional complications may also impact realizations, such as related to the assignment of various agreements with Alberta Health Services related to the operations of the Harbour and Manor senior's care facilities, which may be impacted by foreclosure or further receivership proceedings;
- In a forced sale liquidation pursuant to a CCAA or a receivership, realizations on the development lands, the expansion lands and the Prince of Peace Church and School are anticipated to be up to 20% lower than they would be if sold in an orderly manner outside of the CCAA proceedings, such as by NewCo; and
- In a receivership scenario, selected assets held by ECHS and EMSS (including working capital, computer hardware, furniture and fixtures, a water treatment plant, medical equipment and a vehicle), which are to be transferred to NewCo pursuant to the District Plan, will not be available to the Eligible Affected Creditors.

Should you have additional questions, please contact the undersigned by telephone at 1-403-298-5955 or via email at vanallen@deloitte.ca

Yours truly,

DELOITTE RESTRUCTURING INC.

In its capacity as the Court-appointed Monitor of 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. and not in its personal or corporate capacity



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