

April 29, 2016

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

Re: Future subdivision and development of properties within the Prince of Peace Development (the “PoP Development”)

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 defined 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 Monitor has received several questions related to the feasibility of the future subdivision and/or development of properties within the PoP Development. The following document is intended to provide additional information to Eligible Affected Creditors surrounding the ability of NewCo to subdivide and develop the properties that are being transferred to it pursuant to the District Plan, which include the Harbour and Manor seniors’ care facilities, the development and expansion lands and the Prince of Peace Church and School (the “Prince of Peace Properties”). For clarity, the PoP Development includes both the Prince of Peace Properties and the Prince of Peace Village, a seniors’ condominium complex. The Monitor notes that this document is based on known information as at the date of this document and, as such, may be subject to change.

The master-site development plan (the “MSDP”)

1. Has the MSDP been completed and what does it say?

The MSDP was prepared by Alvin Reinhard Fritz Architect Inc. in December 2012 and was subsequently approved by the Municipal District of Rocky View County (the “MD of Rocky View”). The MSDP focusses on approximately 55 acres of development land, which make up part of the Prince of Peace Properties. The MSDP provides a development

context for land-use and the associated population density. The MSDP contemplates medium density residential as well as additional assisted living capacity, ground level retail and a parkade structure. The fact that the MSDP was approved by the MD of Rocky View suggests that some reliance may be placed on it in terms of the future development of the PoP Development.

Adding a municipal water tie-in to the Conrich water line (the “Conrich Tie-In”)

2. Is it necessary to complete the Conrich Tie-In?

The Monitor understands that the Conrich Tie-In would likely only be economical in the event that a mandate was chosen for NewCo which involved the further development of the Prince of Peace Properties. In the event that the Prince of Peace Properties were further developed and the Conrich Tie-In was completed, it would be estimated to require an initial cash outlay of approximately \$6.0 to \$7.5 million (as estimated in a document prepared by MPE Engineering Ltd. dated January 14, 2013, which was prepared in conjunction with the MSDP). This cost would, however, be partially offset by the following:

- Currently the water provided to service the PoP Development is trucked-in. Should the Conrich Tie-In be completed, additional revenue should be generated by the provision of utility services to the Prince of Peace Village at a greater margin than is currently possible;*
- Cost savings related to the more cost-effective provision of utility services to the Harbour and Manor seniors’ care facilities; and*
- The recovery of offsite levies that would otherwise be payable to the MD of Rocky View.*

The three items noted above will collectively be referred to as the “Water Savings”. The Monitor notes that it would take a number of years for the Water Savings to offset the cost of the Conrich Tie-In and that the timing would be dependent on the route taken to complete the Conrich Tie-In.

Should the NewCo Shareholders select a mandate for NewCo, which does not include the further development of the Prince of Peace Properties (such as the orderly liquidation of the Prince of Peace Properties or the expansion of the Harbour and Manor seniors’ care facilities) it is likely that the Conrich Tie-In would not be completed.

3. What levies would be charged by the MD of Rocky View in the event that the Conrich Tie-In was to be completed and would these levies make the completion of the Conrich Tie-In uneconomical?

The Monitor understands that, if the MD of Rocky View, or an alternate developer, were to build a water line such as the Conrich Tie-In, off-site levies (fees to connect to the Conrich Tie-In) would be payable by NewCo or a future developer to the MD of Rocky View. These levies would be partially offset against the current cost of trucking water to the PoP Development.

Should the Conrich Tie-In be completed by NewCo, the Monitor understands that NewCo would receive credit for the off-site levies which would otherwise be payable to the MD of Rocky View. In the long-term, this should partially off-set a portion of the cost of completing the Conrich Tie-In. As noted above, the cost of completing the Conrich Tie-In would also be partially offset by the Water Savings.

4. If the Conrich Tie-In is not completed, will this detract from the value of the NewCo Shares?

No, as described in the Monitor's Report, the value of the NewCo Shares is largely based on an appraisal for the Harbour and Manor seniors' care facilities prepared by CWPC Seniors' Housing Group as at November 30, 2015 and an appraisal for the remaining Prince of Peace Properties, prepared by Colliers International as at October 15, 2015. These appraisals have been prepared on the assumption that the Conrich Tie-In has not been completed.

The appraisal prepared for the development and expansion lands considered the impact of the Conrich Tie-In on the value of those lands. The results suggested that that Conrich Tie-In would only be economically feasible in the event that further development of the Prince of Peace Properties was undertaken.

Subdivision and further development

5. What are the challenges involved in getting approval for further subdivision of the Prince of Peace Properties or the further development of the PoP Development.

The Prince of Peace Properties could ultimately be subdivided in a number of different ways, which will be dependent on the mandate that is ultimately chosen for NewCo. Even in the case of an orderly liquidation of the Prince of Peace Properties, some additional subdivision will be required, including that of the lands that house the Prince of Peace Church and School. Subdivision is estimated to take six to twelve months. The Monitor is not aware of any substantive issues which would prevent or delay this subdivision, but

unknown issues may arise. As previously noted, a MDSP for the PoP Development has previously been approved by the MD of Rocky View on which some reliance can be placed with respect to the opportunity to subdivide or develop the PoP Development in the future.

6. Are there conflicts between the City of Calgary, the City of Chestermere and the MD of Rocky View related to future developments within the MD of Rocky View?

The Monitor understands that an appeal has been filed related to the approved Area Structure Plan for Conrich (the "Conrich ASP"), which has been put forward by the MD of Rocky View and now includes the PoP Development. The Conrich ASP will be delayed while this appeal is outstanding. It appears that negotiations are ongoing between the City of Calgary, the City of Chestermere and the MD of Rocky View related to the Conrich ASP, with the issues that are being negotiated including future traffic patterns within the MD of Rocky View. Should the Conrich ASP not be approved, it could delay the further development of the Prince of Peace Properties (depending what was being contemplated). The Municipal Government Board has asked all parties to continue negotiations.

7. Are there concerns associated with the lands within the PoP Development (environmental/ suitability for development) that would render further subdivision or development uneconomical?


All development activities have risk associated with them, however, the Monitor is not aware of any known issues related to the PoP Development which would suggest that the future subdivision or development of Prince of Peace Properties would not be feasible other than the risks that are typically associated with real estate development generally.

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



Vanessa Allen, B. Comm, CIRP
Vice-President