



COURT FILE NUMBER 1501-00955

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

DOCUMENT FIRST 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 FEBRUARY 17, 2015

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Schedule 1	Notice to Creditors and Depositors, as published in the Globe and Mail National Edition
Schedule 2	Notice to Holders of RRIFs
Schedule 3	Notice to Life Lease Residents in the Prince of Peace Village
Schedule 4	Statement of Projected Cash Flow for the Fifteen Week Period Ending May 23, 2015 for the Lutheran Church – Canada, The Alberta – British Columbia District
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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 from the Court of Queen’s Bench of Alberta (the “Court”) for an Order (the “Initial Order”) 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. The Initial Order provided for an initial stay of proceedings until February 20, 2015 (the “Initial Stay”).
3. 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”).
4. Capitalized terms not otherwise defined herein have the meanings given to them in the Pre-Filing Report.
5. Information on the CCAA proceedings can be accessed on Deloitte’s website at www.insolvencies.deloitte.ca under the link entitled “Lutheran Church – Canada, The Alberta – British Columbia District et. al.” (the “Monitor’s Website”).

Notice to Reader

6. 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, interested parties and stakeholders. The Monitor has not performed an independent review or audit of the information provided.
7. Certain of the information referred to herein consists of financial forecasts and/or projections. The financial forecasts included in this report are the responsibility of management for the Applicants (“Management”). Management’s responsibility extends beyond ensuring that the individual assumptions used to prepare the financial forecasts are appropriate in the circumstances to ensuring that the assumptions as a whole are appropriate. The Monitor expresses no opinion or other form of

assurance with respect to the accuracy of any financial information presented in the financial forecasts, or relied upon by it in reporting on the financial forecasts.

8. 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.
9. All amounts included herein are in Canadian dollars unless otherwise stated.

Court Applications

10. The Pre-Filing Report was filed in support of the January 23, 2015 application at which the Initial Order was granted. The Pre-Filing Report was filed in order to provide this Honourable Court with information regarding Deloitte's qualifications to act as Monitor, the Applicants' statements of projected cash flow, the proposed funding of the CCAA proceedings and the Emergency Fund (as defined herein).
11. This report represents the first report of the Monitor (the "First Report"). The First Report provides additional information with respect to the following:
 - 11.1 The Monitor's activities to date;
 - 11.2 The reasons for the insolvency of the District Group;
 - 11.3 Issues identified by the Monitor that may impact the CCAA proceedings; and
 - 11.4 The relief sought by both the District Group and the Monitor at the application on February 20, 2015 (the "February 20 Hearing"), as described below.
12. At the February 20 Hearing, the District Group will be seeking an Order of this Honourable Court containing the following relief:
 - 12.1 Extending the stay of proceedings from February 20, 2015 until May 20, 2015 (the "Proposed Extension");
 - 12.2 Approving a claims process (the "Claims Process");
 - 12.3 Approving the appointment of a chief restructuring officer (the "CRO") and setting the general powers and duties of the CRO;
 - 12.4 Authorizing the District to make payments to the Lutheran Church – Canada ("LCC") for the pre-filing portion of the mission remittances up to January 23, 2015 and on a go-forward basis (the "LCC Payments") and setting the terms for the LCC Payments;
 - 12.5 Extending the Directors' and Officers' ("D&O") indemnification and charge granted in the Initial Order to a joint restructuring committee (the "Joint Committee") being established by the Applicants;
 - 12.6 Authorizing ECHS to pay a pre-filing invoice to Shannon's Services Management Corp. ("Shannon"), who was determined to be a critical supplier pursuant to the Initial Order, and to pay a pre-filing invoice to Encon Group Inc. ("Encon") related to Directors' and Officers'

- liability insurance (collectively the “Pre-Filing Invoices”). Both of the Pre-Filing Invoices relate to services rendered for the pre-filing portion of January 2015;
- 12.7 Appointing Pure Elements Environmental Solutions as a critical supplier to ECHS and declaring that it be subject to the terms of the Initial Order; and
 - 12.8 Authorizing the subdivision of selected lands, as further described herein, within the Prince of Peace development, located just east of the City of Calgary which includes two seniors’ care facilities, known as the Harbour and the Manor, as well as surrounding development lands (the “Prince of Peace Development”).
13. At the February 20 Hearing, the Monitor will also be making an application seeking approval of a creditor committee selection process (the “Committee Process”) as further described herein.

Monitor's activities to date

14. The information for this proceeding was posted to the Monitor's Website on January 24, 2015 and all materials circulated by the District Group in these proceedings have been posted to the website. The Monitor will continue to make regular updates to the Monitor's Website to ensure that creditors and interested parties have access to all available information in these proceedings.
15. The Monitor has complied with the notice requirements set out in the Initial Order and in subsection 23(1)(a) of the CCAA, as more specifically set out below:
 - 15.1 Notice that the CCAA proceedings had commenced was published in the Globe and Mail national edition on January 29 and February 5, 2015 and is attached as "Schedule1";
 - 15.2 Notice of the CCAA proceedings was sent by regular mail on January 27, 2015 to every known creditor who had a claim against the District Group. The Monitor notes that the Public Trustee was erroneously excluded from the original mail-out but was provided with notice on February 6, 2015. The Monitor further notes that holders of life lease interests (the "Residents") in 63 condominium units within a 174 unit adult (55 plus) housing complex known as the Prince of Peace Village (the "Prince of Peace Village") were not included in the original creditor listing but were notified by regular mail on February 10, 2015; and
 - 15.3 All required forms were filed with the Office of the Superintendent of Bankruptcy as set out in section 23(1)(f) of the CCAA.
16. The Monitor's other activities to date have included the following:
 - 16.1 Attending various meetings and calls with Management and the District Group's legal counsel to discuss the restructuring efforts;
 - 16.2 Establishing a process for monitoring the District Group's cash flow projections and monitoring the District Group's business and financial affairs during the Initial Stay;
 - 16.3 Reviewing and commenting on the District Group's proposed Claims' Process and commenting on various Court materials prepared by the District Group;
 - 16.4 Reviewing and commenting on various materials provided by the communications team for the District Group;
 - 16.5 Reviewing various issues that could impact the restructuring, as set out herein;
 - 16.6 Developing the Committee Process;

- 16.7 Corresponding with key stakeholders including Concentra Trust (“Concentra”), who acts as the bare trustee for DIL, Alberta Health Services (“AHS”), Diversicare Canada Management Services Inc. (“Diversicare”), the management team who operates the senior’s care facilities known as the Harbour and the Manor, and the Life Lessee Equity Protection Group (an informal group of the Residents);
- 16.8 Preparing correspondence to DIL Depositors (as defined herein), who hold RRIFs and to the Residents to clarify various issues; and
- 16.9 Responding to various general depositor and stakeholder inquires.

Background and causes of insolvency

17. The Pre-Filing Report provided information on the nature of the operations of each of the Applicants, which is summarized below for ease of reference:

Applicant	Nature of operations
Lutheran Church – Canada, The Alberta – British Columbia District	Supports public worship and member outreach into the community to unite the 127 congregations and 26 schools and pre-schools of the Evangelical Lutheran Church in Alberta and British Columbia. Under the purview of the District's Department of Stewardship and Financial Ministries (the "DFSM"), the church extension fund ("CEF") was created to allow District members to invest their money and earn interest in support of faith-based developments.
Lutheran Church – Canada, The Alberta – British Columbia District Investments Ltd.	Acts as a trust agent and investment manager of registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs") and tax-free savings accounts ("TFSAs") for annuitants. Concentra acts as the bare trustee with respect to these investments.
Encharis Community Housing and Services	Owns land and buildings within the Prince of Peace Development, including the Manor and the Harbour, the senior care facilities managed by EMSS.
Encharis Management and Support Services	Operates as the Harbour and the Manor for the purpose of providing integrated supportive living services to seniors.

18. The affidavit of Kurtis Robinson sworn on January 22, 2015 (the "Robinson Affidavit") provides further details on the Applicants along with a summary of the events leading up to the District Group's CCAA filing and the principal causes of insolvency for each of the Applicants.
19. The Monitor has not completed an in-depth independent review of the causes of the insolvency of the Applicants and will await any further instructions from the Committees (as defined later herein).

The District

20. As described above and in the Robinson Affidavit, the District created CEF under the purview of the DSFM in order to allow depositors to invest their money in faith based developments. CEF lent a significant amount of money to build-out the Prince of Peace Development and its related properties and lands (the "Prince of Peace Properties"). Funds were advanced for projects related to the Prince of Peace Development between 1994 and 2008. As of the Filing Date, CEF had five outstanding loans to ECHS related to the Prince of Peace Development (the "ECHS Loans"). The ECHS Loans totalled approximately \$90.0 million (\$73.5 million net of accrued interest) and were advanced by way of promissory notes and secured by registered mortgages against the Prince of Peace

Properties and a 101 acre property in Chestermere, Alberta (the “ECHS Properties”). Based on the values of the ECHS Properties, there is anticipated to be a significant shortfall in repaying the ECHS Loans, which will result in there being insufficient funds to satisfy the obligations of the District to the depositors in CEF (the “CEF Depositors”).

DIL

21. As noted above, the investment fund held within DIL was created in order to allow depositors to invest in RRSPs, RRIFs and TFSAs while still supporting faith-based activities. The nature of the investments within DIL required more stringent lending protocols than within CEF. Three loans advanced by DIL and secured by way of registered mortgages may now be unrealizable due to the corresponding mortgages either not having been registered or not having been registered with the priority that Management advises it originally intended. As a result, a loss to the depositors in DIL (the “DIL Depositors”) is anticipated. We note that due to the nature of the investments within DIL, any losses or gains in the value of the fund are meant to be automatically reflected in the value of the investments held by the individual DIL Depositors.
22. In addition, in January 2015, Management began to communicate to depositors regarding the insolvency of CEF, which resulted in a significant number of redemption requests from DIL Depositors and precipitated the CCAA proceedings.

ECHS & EMSS

23. EMSS operates the Harbour and the Manor, while the buildings and lands are owned by ECHS. As reported above, the value of the ECHS Properties is not sufficient to repay the ECHS Loans.

Assets

The District

24. The bulk of the District's assets which consist of cash and marketable securities, loans and real property (the "CEF Assets") are held within the CEF, for the benefit of the CEF Depositors. We note that no further loans are being granted by CEF during the CCAA proceedings. A summary of the CEF Assets is included below (all values are as at November 30, 2014 unless otherwise noted):

Description	CEF Book values
Cash and marketable securities (as at February 6, 2015)	\$6,323,543
Vehicle loans	19,441
Unsecured loans	2,240,955
ECHS Loans	89,961,848
Mortgages	1,818,259
District Properties	6,236,888
District Trust Properties	<u>483,046</u>
Total	<u>\$107,083,980</u>

- 24.1 Cash and marketable securities, including cash on hand, with a fair market value of approximately \$6.3 million were held as at February 6, 2015;
- 24.2 Interest free vehicle loans with a book value of approximately \$19,441 were provided to eight pastors from within the District's member congregations (the "Member Congregations");
- 24.3 Seven unsecured loans with a book value of approximately \$2.2 million were granted by way of promissory notes to seven Member Congregations;
- 24.4 Five loans totalling approximately \$90.0 million (\$73.5 million net of accrued interest) were granted to ECHS (defined above as the "ECHS Loans") related to the build-out of the Prince of Peace Development. The ECHS Loans are secured by a mortgage (the "District - ECHS Mortgage") with a registered value of \$45.0 million and an assignment of rents and leases. The District – ECHS Mortgage is secured against the ECHS Properties. Based on recent third-party appraisals of the Prince of Peace Properties, it is anticipated that there will be a significant shortfall in repaying the ECHS Loans.

- 24.5 The District holds mortgages on five properties in use by Member Congregations with a book value of approximately \$1.8 million.
- 24.6 The District holds title to five properties within Alberta and one property within British Columbia (the "District Properties"). The District Properties include a property in Edmonton, Alberta on which the District's head office is located. Based on the Monitor's review of the District Properties to date, the following is noted:
- 24.6.1 Included within CEF are loans to congregations, who currently operate out of the District Properties, with a book value of approximately \$6.2 million. Such District Properties have total tax assessed values of \$8.9 million (including the Strathmore Property, as described below).
- 24.6.2 Conditional offers to purchase have been received in respect of two of the District Properties. One of these properties is located in St. Albert and houses the King of Kings Lutheran Church and the other is located in Edmonton and houses a school. The details of the offers are not being released in order to avoid tainting any future sale process that may be required should the offers not result in completed sales.
- 24.6.3 One of the District Properties is located in Strathmore, Alberta and houses the Trinity Christian Academy (the "Strathmore Property"). DIL granted a loan in the amount of \$6.2 million to the District (the "Strathmore Loan"). Management has advised that it was their original intention to secure the Strathmore Loan from DIL via a registered mortgage on the Strathmore Property. Although a mortgage was drafted at the time that the Strathmore Loan was granted, no mortgage was executed or registered until December 2014. The Monitor's legal counsel reviewed the Strathmore Mortgage and advised that the enforceability of the Strathmore Mortgage is uncertain because of the delay in the execution and registration of the Strathmore Mortgage. Legal counsel further advised that, in order to determine this issue, evidence that is extrinsic to the Strathmore Mortgage would have to be considered and weighed against other evidence. As the District owns the Strathmore Property and DIL owns the Strathmore Mortgage, any decision as to the enforceability of the Strathmore Mortgage will impact the realization to the respective depositors. As such, the Monitor is recommending that representative counsel for the CEF Depositors be retained and funded by the District Group to complete a further review of the Strathmore Loan to determine whether they would recommend challenging the corresponding security.
25. The District holds three properties referred to as District Trust Properties. The District Trust Properties consist of properties where mortgages were initially granted to Member Congregations who eventually defaulted on those mortgages, at which point, the corresponding properties reverted back to the District. CEF includes loans to congregations with a book value of approximately

\$483,046, who currently operate from premises on the District Trust Properties. The District Trust Properties have total tax assessed values of approximately \$1.7 million. The Monitor understands that the District is both the legal and beneficial owner of the District Trust Properties; however, the corresponding congregations may attempt to assert claims against any corresponding sale proceeds. We are advised by Management that an additional church is in the process of disbanding and that the corresponding property will be reverting back to the District and will represent a further realization for the creditors of the District.

26. In addition to the CEF Assets, as described in the Robinson Affidavit, the District also holds accounts receivable of approximately \$250,274 and other assets of approximately \$50,000.

DIL

27. A summary of the assets held in DIL (the "DIL Assets") is included below (all values are as at November 30, 2014 unless otherwise noted and do not include the Write-Down as defined herein):

Description	CEF Book values
Cash and marketable securities (as at February 6, 2015)	\$18,123,731
Lines of credit	122,382
Mortgages	<u>23,063,123</u>
Total	<u>\$41,309,236</u>

- 27.1 Cash and marketable securities, including cash on hand, with a fair market value of approximately \$18.1 million, were held as at February 6, 2015;
- 27.2 Three lines of credit, with a net book value of approximately \$122,400 were granted by DIL to Member Congregations by way of promissory notes with no specific security;
- 27.3 Fourteen loans to churches, with a net book value of approximately \$23.1 million, are secured by mortgages registered against the corresponding properties (the "DIL Mortgages"). We note as follows with respect to the DIL Mortgages:
- 27.3.1 Subsequent to the Filing Date, a loans for one of the DIL Mortgages in the amount of \$216,500 due from one of the Member Congregations was repaid in full;
- 27.3.2 Two of the DIL Mortgages were granted to DIL by ECHS against the Prince of Peace Properties (the "DIL- ECHS Mortgages"). The DIL- ECHS Mortgages were registered in second position behind the District - ECHS Mortgage and are not estimated to have any realizable values. We understand that the original intention was that the District - ECHS Mortgage would be postponed to the DIL - ECHS Mortgages; however, no postponement was ever executed. The Monitor's legal counsel reviewed DIL's potential priority claim and determined that there was some

uncertainty as to how this issue may be decided by the Court due to the fact that considerable evidence extrinsic to the DIL – ECHS Mortgages would have to be considered and weighed. As such, the Monitor is recommending that representative counsel for the DIL Depositors be retained and funded by the District Group to complete a further review of the priority of the DIL - ECHS Loans and advise as to whether they would recommend challenging the priority of the District - ECHS Mortgage; and

- 27.3.3 As described above, the DIL Mortgages also include the mortgage on the Strathmore Property, the security of which could potentially be challenged by the District.
- 27.4 Pursuant to the Initial Order, DIL was entitled to continue to make required statutory minimum RRIF payments to RRIF holders. The required statutory annual minimum payments are calculated based on an established formula taking into account the value of the DIL Assets and the age of the Depositors. As certain of the DIL Assets are currently not estimated to be realizable, Management estimated a write-down of 24% on the DIL Assets (the “Write-Down”), prior to issuing the required statutory annual minimum payments. The Monitor sent a letter to the DIL Depositors on February 2, 2015 explaining the Write-Down, a copy of which is attached as “Schedule 2”.

ECHS & EMSS

- 28. ECHS and EMSS have cash on hand of \$293,194 and \$1,092,422 as at February 7, 2015, which are being used to fund ongoing operations.
- 29. ECHS’ most significant assets consist of the following properties within the Prince of Peace Development:
 - 29.1 The Manor – a 159 unit seniors’ care facility focused on the delivery of a variety of independent living alternatives;
 - 29.2 The Harbour – 32 unit dementia care facility;
 - 29.3 Development lands within the Prince of Peace Development;
 - 29.4 A church and school building, which currently houses the Prince of Peace Lutheran Church and School; and
 - 29.5 Selected condominiums in the Prince of Peace Village are subject to life leases and represent a net liability to ECHS, as further described below.
- 30. ECHS also owns 101 acres of land in Chestermere, Alberta, which is subject to a conditional offer to purchase (the “Chestermere Lands”). The details of this offer are not being released in order to

avoid tainting any future sale process that may be required should the potential sale arising from the offer not be completed.

31. ECHS also has two related party accounts receivable. The first, in the amount of approximately \$2.1 million, is due from EMSS for lease arrears related to its use of the Harbour and the Manor. The second in the amount of approximately \$2.3 million is due from Shepherd's Village Ministries Ltd. and is being repaid in monthly installments.

32. EMSS has the following limited assets:

32.1 Property and equipment with a book value of approximately \$47,368, which is in use at the Harbour and the Manor;

32.2 Inventory with a book value of approximately \$19,267; and

32.3 Accounts receivable with a book value of approximately \$88,622.

Liabilities

District and DIL

33. As at the Filing Date, the amounts due to the CEF Depositors totaled approximately \$96.7 million. The District also listed trade creditors with claims totalling approximately \$14,281. In addition, the District leases selected office equipment from Wells Fargo Financial Leasing Inc.
34. DIL does not have any outstanding liabilities outside of amounts due to depositors which, as of the Filing Date, had accounts listed as totaling approximately \$37.1 million.
35. Management has advised that the District is current with respect to its obligations to the Canada Revenue Agency ("CRA") for payroll source deductions and GST. The District is also current with respect to its payroll obligations to employees (other than accrued vacation pay that will be paid in the ordinary course) and its remittances to the Workers' Compensation Board ("WCB"). We note that, the District employees participate in a pension plan through LCC that currently has an unfunded deficit of \$200,000.
36. DIL does not have any employees.

Potential Claims against Directors

37. The Monitor's legal counsel has advised that both the CEF Depositors and the DIL Depositors may have claims against the current and former directors and officers of the District and DIL related to the following potential issues:
 - 37.1 As noted above, Concentra acts as the bare Trustee in respect of the investment fund in DIL with the District acting as agent for Concentra in respect of all other duties. As reported above, it is anticipated that select DIL Assets may not have any realizable value. The District may have been in a conflict of interest as a result of its position as a fiduciary for the DIL Depositors (whose recovery may now be compromised) and the duties it undertook on behalf of Concentra. This may expose the District to additional potential claims, such as for breach of fiduciary duty. The Monitor's legal counsel is reviewing this issue further and the outcome of that review will be addressed in a future report of the Monitor.
 - 37.2 In addition, the Monitor's counsel is also reviewing certain documentation governing the relationship between the District and DIL and the CEF and DIL Depositors, in order to determine whether there may be potential claims against the District and DIL and their respective directors and officers arising out of any potential compliance requirements of the

Loan and Trust Corporations Act of Alberta and the *Securities Act of Alberta*. The Monitor's legal counsel is reviewing this issue further and the outcome of that review will be addressed in a future report of the Monitor.

ECHS and EMSS

38. The ECHS Loans were provided by the District to fund the Prince of Peace Development. At the Filing Date, the ECHS Loans had a book value of approximately \$90.0 million (73.5 million net of accrued interest), which were secured against the Prince of Peace Properties by the District – ECHS Mortgage and an assignment of rents and leases. The ECHS Loans are well in excess of the appraised value of the Prince of Peace Properties.
39. In addition to the ECHS Loans, DIL provided two loans to ECHS, which had a book value of approximately \$7.8 million as at the Filing Date (the “DIL - ECHS Loans”). The DIL – ECHS Loans were secured by the DIL – ECHS Mortgages. The DIL – ECHS Mortgages were registered subsequent to the District – ECHS Mortgage and are also registered on selected condominium units in the Prince of Peace Village.
40. Both ECHS and EMSS have been issued MasterCard credit cards by the Bank of Montreal which are secured by a general security agreement over all present and after-acquired property of the respective entities.
41. At the Filing Date, ECHS listed trade creditors with claims of approximately \$14,608 and EMSS listed trade creditors with claims of approximately \$59,092. EMSS also owes approximately \$2.1 million to ECHS for lease payments related to its use of the Harbour and the Manor. In addition, EMSS leases computer and office equipment through Xerox Canada Ltd. and National Leasing Group Inc.
42. Management has advised that ECHS and EMSS are current with respect to their obligations to CRA for payroll source deductions and GST. ECHS and EMSS are also current with respect to their payroll obligations to employees (other than accrued vacation pay that will be paid in the ordinary course) and its remittances to the WCB.

AHS

43. ECHS is subject to two affordable supportive living grant funding agreements with AHS (the “AHS Agreements”), pursuant to which grants totalling approximately \$9.1 million (the “Grants”) were provided to fund affordable supportive living at both the Manor and the Harbour. Pursuant to the AHS Agreements, certain breaches may trigger the demand for repayment of all of a portion of the Grants. As such, AHS has a contingent claim against ECHS in the CCAA proceedings in respect of any portion of the Grants that may be repayable under the terms of the AHS Agreements.

Life Lease Residents

44. ECHS owns 63 units within the Prince of Peace Village. These units are subject to life leases with the majority of the Residents being seniors. The life leases represent a contingent liability for ECHS as, upon surrender of a Resident's leasehold interest, ECHS is required to purchase the unit from the Resident if a purchaser is not found within six months. The DIL – ECHS Mortgage is also registered against selected condominium units; however, this registration is subsequent to the leasehold interests of the Residents.

Stay of Proceedings

45. As previously reported, at the February 20 Hearing the District Group will be making an application to extend the stay of proceedings from February 20, 2015 to May 20, 2015 (previously defined as the “Proposed Extension”).
46. Based on the Monitor's dealings with Management and the Monitor's review of the District Group's operations and restructuring efforts to date, we can advise that:
 - 46.1 The District Group appears to be acting in good faith and with due diligence;
 - 46.2 The District Group is cooperating with the Monitor and appears to be making efforts to formulate a plan of arrangement to present to its creditors (the “Plan”);
 - 46.3 The District Group is seeking the appointment of a CRO, as described herein.
 - 46.4 The Monitor is of the view that the creditors of the District Group will not be materially prejudiced by the Proposed Extension.
47. The Monitor believes that the an extension of the stay of proceedings for 30 days until March 20, 2015 is appropriate, given that a CRO has not yet been appointed to assist in the CCAA proceedings. The Monitor believes that the appointment of a CRO is necessary to alleviate depositor concerns regarding the existing leadership of the District Group, increase depositor confidence in the restructuring process, provide additional direction and streamline the restructuring process and provide needed financial and restructuring expertise to the District and DIL. The Monitor believes that a shorter extension will ensure that a CRO is put in place within the next 30 days and a further extension can be sought at the application to appoint a CRO.

Appointment of a CRO

48. At the February 20 Hearing, the District Group will be making an application for Court approval of the appointment of a CRO for the District and DIL. As the District Group had retained Diversicare prior to the Filing Date to professionally manage both the Harbour and the Manor and as there are limited creditors in ECHS and EMSS, a CRO is likely not required for those entities other than to the extent that they are included in the Plan. Subject to the terms and restrictions contained in the Initial Order, the CRO would be authorized, subject to the approval of the Monitor and, where required, the Court, to do the following:
- 48.1 To assist in and direct the restructuring of the District and DIL;
 - 48.2 To review the business and ministry operations and assess opportunities for cost reduction and revenue enhancement at the District and DIL;
 - 48.3 To oversee and direct the preparation of future statements of projected cash flow for the District and DIL;
 - 48.4 To cease all or a portion of the business of the District or DIL or to sell or otherwise dispose of any of the property of the District or DIL, subject to the approval of the Monitor and, where required, the Court;
 - 48.5 To approve all disbursements of the District and DIL;
 - 48.6 To have full access to the books, records and key personnel of the District and DIL;
 - 48.7 To report to the Court, the District and DIL and other stakeholders, as appropriate;
 - 48.8 To consider the interests of and take direction from the District and DIL, subject to the Monitor's approval, and to assist in the preparation and implementation the Plan; and
 - 48.9 To provide instructions to counsel for the District and DIL.
49. We are advised that the District issued a request for expressions of interest and qualifications for a CRO on February 9, 2015 (the "RFQ"). The RFQ set out the requirements and procurement process to find a CRO. Management has advised that the RFQ was issued to four candidates and that two parties have responded to the RFQ to date. Management will review all submissions, interview potential candidates and consult with the Monitor prior to seeking Court approval for the appointment of a CRO.

50. As reported above, the Monitor is of the view that the appointment of a CRO will facilitate the restructuring efforts of the District and DIL and are supportive of the District Group's application to approve such an appointment, based on the following:

50.1 There are 6,083 accounts in CEF with 2,674 depositors consisting of corporations, churches and individuals. In addition, there are 1,139 accounts with DIL with all of the 914 depositors being individuals. The majority of depositors are from communities across Alberta and British Columbia. Of the depositors who have contacted the Monitor, many have expressed concerns regarding the existing leadership of the District. The appointment of a CRO may alleviate depositor concerns and increase depositor confidence in the restructuring process;

50.2 A CRO may provide additional direction and streamline the restructuring efforts of the District Group; and

50.3 A CRO will provide needed financial and restructuring expertise to Management.

51. Although the Monitor is supportive of the District Group's application to appoint a CRO, we note that it may be appropriate to vary the powers of the CRO depending on the candidate who is selected. The Monitor will comment further on this and on the remuneration of the CRO and any corresponding impact on the District and DIL's projected cash flow forecasts in a subsequent report filed at the time that the District Group makes an application to obtain Court approval for the appointment of a CRO.

Additional restructuring considerations

Pre-filing deposits

52. As reported in the Robinson Affidavit, CEF ceased taking new deposits in March 2014. This practice was implemented as a result of concerns regarding the solvency of CEF but was not extended to electronic funds transfers (the “EFTs”). The Monitor has confirmed that, between March 2014 and the Filing Date, Management continued to accept deposits totalling approximately \$150,535 via EFTs from approximately 80 individuals.

Potential preferential payments

53. Management has indicated that a Moratorium (as defined below) was put in place for withdrawals from CEF effective January 2, 2015. The Monitor notes that for the three months preceding the Filing Date, depositor redemptions of approximately \$2.6 million were paid out from CEF (the “CEF Redemptions”). Depositor redemptions of approximately \$888,400 were paid out from DIL since September 1, 2014. The Monitor has requested additional information to determine the monthly quantum of these payments for the past three months (the “DIL Redemptions”).

54. Both the CEF Redemptions and the DIL Redemptions could potentially be challenged as fraudulent preferences pursuant to S. 95 of the *Bankruptcy and Insolvency Act*, which would increase the pool of depositors but also increase the pro-rata amount available to the existing depositors. The Monitor notes that additional transactions may be subject to challenge should those redemptions have been made to related parties in the one year period leading up to the Filing Date.

55. The Monitor has not yet completed a thorough review of the books and records of the District Group to determine whether additional potential preferential payments may exist.

Subdivision of lands

56. At the February 20 Hearing, the Applicants are seeking approval to subdivide selected lands within the Prince of Peace Properties. Management has advised that the expansion of both the Manor and the Harbour is permitted by the current land use bylaws for that site. The Manor is currently on a separate title from the rest of the site but the Harbour is included in the same parcel of land as the Prince of Peace church and school and additional development lands. The Monitor has consulted

with their real estate advisory group and believes that the sale price of the Harbour and the Manor would be enhanced by the subdivision.

Convention

57. The District's annual leadership convention is scheduled for May 2015 (the "Convention") at which time a new board of directors will be elected. The Monitor's legal counsel reviewed the District's bylaws and confirmed that the Convention could be postponed until later in 2015. Management has advised that both the board of directors and senior staff at the District believe that holding the Convention as scheduled is important to establish a new future leadership team, continue the work of the District, and ensure the well-being of the participating Member Congregations. The Monitor has had several discussions with Management surrounding the Convention and is supportive of the Convention proceeding in May 2015 based on the understanding that key members of Management, who are involved in the restructuring, will not be diverted towards planning the Convention. In addition, Management has advised that the entire cost of the Convention is assessed against and paid for by Member Congregations in advance of the Convention being held. As such, the Convention will have no impact on the District's projected cash flow.

Joint Committee

58. Management has advised that they are in the process of appointing a three-person joint restructuring committee (defined above as the "Joint Committee") to represent the interests of each of the Applicants throughout the restructuring (ECHS and EMSS are being jointly represented by one individual). Further information on the Joint Committee is included in the Affidavit of Kurtis Robinson sworn on February 13, 2015. At the February 20 Hearing, the Applicants are making an application to expand the D&O indemnification and Charge, included in the Initial Order to include the members of the Joint Committee. The Monitor is supportive of this application.

Claims Process

59. At the February 20 Hearing, the District Group will be seeking approval of a process to determine the claims against each Applicant as at the Filing Date (the “Claims Process”). The anticipated timeline for the Claims Process is set out below:

Action	Day
Claims Process Order granted	February 20, 2015
The Claims Package (as defined below) will be posted to the Monitor’s website	As soon as practicable after the granting of the Claims Process Order
The Claims Package will be sent to all known claimants (the “Claimants”)	On or before February 27, 2015
Newspaper notice published	Two separate dates on or before March 7, 2015
Claims bar date for Claimants to file a proof of claim or indicate that they disagree with the amount included in the proof of claim form for Depositors or Residents (respectively the “Depositor Claim” and the “Resident Claim”)	April 20, 2015
Deadline for issuance of notices of revision or disallowance for voting and distribution purposes (the “Disallowance Notice”)	May 5, 2015
Deadline for receipt by Monitor of any notice of dispute (the “Dispute Notice”)	10 days after receipt of Disallowance Notice by Claimant

60. Following the granting of an Order approving the Claims Process (the “Claims Process Order”), the Monitor will send a package containing all required information (the “Claims Package”) to the Claimants.

61. The Claims Package will include the following:

- 61.1 The Notice to Creditors, which is attached to the Claims Process Order as “Schedule A”;
- 61.2 One or more of the Depositor Claim, the Resident Claim or the General Proof of Claim (the “General Claim”, collectively the “Claim Form(s)”), copies of which are attached as “Schedules B, C and E” to the Claims Process Order. Pre-populated Claims Forms are being

provided for CEF Depositors and DIL Depositors and the Residents, who are subject to a reverse claims process with the General Claim being distributed to all other Claimants.

- 61.3 Instructions for completing the Claim Forms, a copy of which is attached as part of "Schedule E" to the Claims Process Order;
 - 61.4 A non-participation notice, a copy of which is attached as "Schedule D" to the Claims Process Order (the "Non-Participation Notice"). The Non-Participation Notice enables those who do not wish to participate in the CCAA proceeding to abandon their claim and waive any further notice of the CCAA proceedings. The Non-Participation Notice was created due to the fact that there are a number of depositors with claims below \$500, who may elect not to participate in the Claims Process; and
 - 61.5 An assignment notice, a copy of which is attached as "Schedule H" to the Claims Process Order (the "Assignment Notice"). The Assignment Notice enables Claimants to assign their claim to another party and to waive any further notice of the CCAA proceedings. The Assignment Notice was created as a result of inquiries being received from depositors who wish to assign their claim to another individual or to their Member Congregations.
62. The Claims Package will be posted on the Monitor's website and sent by regular mail to all known claimants. Advertisements regarding the Claims Process will be printed in the Globe and Mail national edition on two separate occasions.
 63. For CEF Depositors and DIL Depositors, a reverse Claims Process has been established. The Depositor Claim will be sent pre-populated with the amount of each depositor's claim as at the Filing Date and a corresponding statement of their account(s) in each of CEF and DIL. The Residents are also subject to a reverse Claims Process and the Resident Claim will be sent pre-populated with the amount of each Resident's contingent claim, which is based on the 2014 property tax assessed value of their property less an applicable 5% surrender fee. Copies of each Resident's 2014 property tax assessment will also be provided.
 64. All Claimants will have until April 20, 2015 (the "Claims Bar Date") to either submit a Dispute Notice, a Non-Participation Notice or an Assignment Notice (the "Claims Notices"). Should no Claims Notices be received by the Claims Bar Date, the claim of the Depositor or the Resident shall be deemed to be admitted as provided in the corresponding Claim Form.
 65. Should a CEF Depositor, a DIL Depositor or a Resident not agree with the amount included in their Claim Form, they must file a Dispute Notice with the Monitor prior to the Claims Bar Date. The Monitor will then have 15 days from the Claims Bar Date to either accept the amount included in the Dispute Notice or issue a Disallowance Notice.
 66. Claimants, who are not CEF Depositors, DIL Depositors or Residents (the "General Claimants"), must complete a General Claim including all required details to support their claim. Should a General Claim not be submitted to the Monitor on or before the Claims Bar Date, the General

Claimants are forever barred from making or enforcing any Claim against the Applicants and their current or former directors, officers and employees.

67. The Applicants, in conjunction with the Monitor, will review all Claim Forms submitted on or before the Claims Bar Date and will either accept the claim as set out in the Claim Form or issue a Disallowance Notice in respect of all or part of the claim for voting or distribution purposes. Disallowance Notices will be sent within 15 days of the Claims Bar Date by registered mail. Following receipt of a Disallowance Notice, a claimant will have 10 days to file a Dispute Notice, should they disagree with the Disallowance Notice. Dispute Notices may be resolved consensually or, where that is not possible, through an application to Court.
68. The Monitor is supportive of the Claims Process Order being granted and is further of the opinion that a reverse claims process is necessary for both the CEF Depositors, the DIL Depositors and the Residents for the following reasons:
 - 68.1 The information required to prove the claims of the CEF Depositors, the DIL Depositors and the Residents is in the possession of the District Group;
 - 68.2 It will allow costs to be minimized as there is a very low likelihood that the claim amounts will be disputed; and
 - 68.3 The majority of the CEF Depositors, the DIL Depositors and the Residents consist of elderly individuals, many of whom have never participated in such a process before. In the absence of a reverse Claims Process, certain individuals may be unnecessarily excluded from the Claims Process due to a lack of certainty as to what is required.

Residents

69. Subsequent to the Filing Date, the Monitor was approached by several Residents who were concerned as to how their claims may be dealt with in a Plan. Following discussions with the Applicants, their legal counsel and the Monitor's legal counsel, the Monitor issued correspondence to the Residents on February 10, 2015, a copy of which is attached as "Schedule 3" (the "Resident Letter"). The Resident Letter reassured Residents that the intention of any Plan would be to cause the least disruption possible for Residents. It further set out the general intention of the Applicants in compromising the claims of the Residents pursuant to a Plan, as set out below:
 - 69.1 The Residents will be included in the Claims Process with respect to their contingent claim against ECHS, which will be valued based on the amount of each Resident's 2014 property tax assessment less a 5% conversion fee (the "Conversion Fee");
 - 69.2 Life leases that are surrendered in the ordinary course prior to the Plan being filed will be dealt with in the ordinary course (i.e. assistance will be provided by Management to market the corresponding property and the Conversion Fee will be payable upon resale of that property);

- 69.3 Life leases existing as of the filing of the Plan will be converted to fee simple pursuant to the Plan, subject to the Conversion Fee, which will be payable to DIL;
- 69.4 Residents will have the option to either pay the Conversion Fee to DIL at the time of the conversion of the life lease to fee simple or to defer payment of the Conversion Fee. Residents may defer payment of the Conversion Fee until such time as the corresponding property is sold subject to a mortgage in the amount of the Conversion Fee being registered on the title of the corresponding property. Where a Resident has chosen to defer payment of the Conversion Fee and a corresponding mortgage has been granted, the Conversion Fee will only be payable at such time as the property is sold.

Creditors' Committee Selection Process

70. As reported above, at the February 20 Hearing, the Monitor will be seeking approval for a creditor committee selection process (defined above as the "Committee Process"). The Monitor is recommending approval of the Committee Process for each of the District and DIL for the following reasons:
- 70.1 The major stakeholders in the restructuring are the CEF Depositors and DIL Depositors;
 - 70.2 The Monitor has received feedback that depositors would like to have further input into the restructuring;
 - 70.3 The Monitor's review to date indicates that there are several potential causes of action, which could be for the direct or indirect benefit of the District and DIL, which could impact the restructuring and will likely require input from the CEF Depositors and DIL Depositors; and
 - 70.4 The relationship between the District and DIL and the respective CEF Depositors and DIL Depositors is unique as it encompasses both spiritual and financial considerations.

Mandate and duties

71. The proposed mandate of the creditors' committees for each of the District and DIL (the "Committees") is as follows:
- 71.1 To assist in maximizing the amount that is ultimately available for distribution to the creditors pursuant to the Plan;
 - 71.2 To consult with and provide advice to the Applicants and the Monitor in a timely manner; and
 - 71.3 To serve in a fiduciary capacity in representing all unsecured creditors.
72. The proposed duties of each Committees' participants are as outlined below:
- 72.1 To review and advise the Court of each Committee's position on motions or other legal actions;
 - 72.2 To review the debtor's pre-petition conduct for possible causes of action and to advise the Monitor as to any further investigation that they would wish to have undertaken;
 - 72.3 To provide input into the formulation of the Applicants' Plan;

- 72.4 To consult with stakeholders and other interested parties; and
- 72.5 To hire financial and legal professionals to advise each Creditors' Committee where required, which would be funded by the District Group.

The Committee Selection Process

73. The following timeline is proposed for the Committee Process:

Action	Day
Committee Process approved	February 20, 2015
Instructions for Committee Process posted to the Monitor's website	As soon as possible after February 20, 2015
Monitor contacts eligible depositors to fill the Reserved Positions (as defined below)	From February 20 to March 16, 2015
Deadline for receipt of applications to act as a creditor representative	March 16, 2015
List of nominated creditor representatives posted on the Monitor's Website	March 31, 2015
Deadline for voting on creditor representatives	April 14, 2015
Posting of the results of the votes and the creditor representatives on the Monitor's Website	April 15, 2015

74. The formulation of the Committees will be as follows:

- 74.1 The maximum number of individuals to be appointed to each of the Committees for the District and DIL is five;
- 74.2 For each Committee, three of the positions will be reserved for those creditors with the highest claims (such positions being the "Reserved Positions"). The Monitor will approach eligible creditors to ascertain their interest in serving in the Reserved Positions until the Reserved Positions are filled. The Monitor will consider geographic representation (Alberta and British Columbia representatives will be included) in filling the Reserved Positions; and
- 74.3 The additional two positions on each Committee will be filled from the general population of creditors (the "Vacant Positions") pursuant to the Committee Process.

75. Following Court approval of the Committee Process, the Applicants and the Monitor will post the Committee Process on the Monitor's Website and mail information on the Committee process to all known CEF and DIL Depositors. The Committee Process would proceed as follows:

- 75.1 Creditors must submit an application, in the form attached to the Creditors' Committee Selection Process Order as "Schedule A" (the "Application Form"). The Application Form includes general information such as contact information, the nature and amount of the

- proposed representative's claim, confirmation that the proposed representative is not a party to any contested action as against any of the Applicants and any information that the proposed representative would like to have considered by those parties voting in the Committee Process.
- 75.2 Any application form must be accompanied by nomination forms from two other depositors, in the form attached to the Creditors' Committee Selection Process Order as "Schedule B".
- 75.3 A list of the names and any information provided by the potential representative for consideration (absent contact information) will be posted on the Monitor's Website and mailed to all known CEF and DIL depositors with an invitation for depositors to submit a voting letter in the form attached to the Creditors' Committee Selection Process Order as "Schedule C", indicating their top two choices for the individuals to act as creditor representatives.
- 75.4 The two potential representatives with the largest number of votes (without consideration to the dollar value of the claims of the voting depositors) will be selected to fill the Vacant Positions on each Committee.
76. As reported herein, the Monitor is recommending that representative legal counsel be retained and funded by the District Group to advise both the CEF Depositors and the DIL Depositors with respect to selected issues outlined in this report, which could have a significant impact on the amount available to those respective groups pursuant to the restructuring.

The Lutheran Church – Canada

Payments

77. The District receives revenue in the form of donations from Member Congregations (the “Donations”). Prior to the CCAA proceedings, the Donations were estimated to total approximately \$1.3 million on an annual basis. Approximately 35% of the Donations received by the District on a monthly basis (40% on an annual basis) have historically been paid to Lutheran Church – Canada (the “LCC” and the “LCC Payments”). Although the LCC Payments are not the result of any legal obligation, Management has advised that those individuals and congregations who donate funds do so on the understanding that a portion of their Donations will be paid to LCC.
78. LCC has advised that the LCC Payments provide funding for both national and international programs, further described as follows:
- 78.1 National programs include a subsidy to seminaries in Edmonton and St. Catherine’s for the theological education of pastors, a subsidy to Concordia University of Alberta for the professional training of deacons, publication of the Canadian Lutheran magazine and online editions, theological guidance for local churches, inter-church relationships and dialogues, general administration, credentialing and professional support of military chaplains in the Canadian Forces; and
- 78.2 International programs include support of missionaries and theological education in Central America, Southeast Asia and Ukraine, participation in global social ministry programs of Canadian Lutheran World Relief and participation in the global International Lutheran Council.
79. Management has indicated that a failure of the District to make the LCC Payments may result in those parties donating funds sending the entirety of the Donations directly to the LCC and withdrawing their financial support to the District. The Monitor further understands that the amount of the LCC Payments is considered by individuals when determining the amount of their Donations. As such, the Monitor is supportive of the District’s application to make the LCC Payments of approximately \$115,157 for the pre-filing period from January 1 to 23, 2015 and to continue to provide 35% of post-filing Donations to LCC on a go-forward basis. We note that the current cash flow projections for the District includes estimates for Donations, will likely be sustainable once the LCC Payments are being made in the ordinary course.

Critical Suppliers

80. Pursuant to the Initial Order, the Court approved the appointment of 14 critical suppliers. At the February 20 Hearing, the District Group is seeking the appointment of one additional critical supplier, Pure Elements Environmental Solutions (“Pure Elements”), who the Monitor understands is responsible for testing the water at the Prince of Peace Development. Based on the critical nature of this service, the Monitor is supportive of the addition of Pure Elements as a critical supplier.
81. Also at the February 20 Hearing, the District Group is seeking approval to pay a pre-filing invoice to Shannon in the amount of \$22,970. Shannon provides water hauling services to the Prince of Peace Development. Management has advised that there are few alternate suppliers who could provide the same service as Shannon. In addition, Shannon is a small company and relies on regular payment of its invoices from ECHS to satisfy its ongoing payroll obligations. The Applicants are further seeking approval to pay a pre-filing invoice to Encon related to directors’ and officers’ liability insurance in the amount of \$1,126. The invoices due to Shannon and Encon were defined above as the “Pre-Filing Invoices”. The Monitor supports the payment of the Pre-Filing Invoices.

Cash Flow Forecast

District

82. Attached as "Schedule 4" is the Statement of Projected Cash Flow for the District for the fifteen week period ending May 23, 2015 (the "District Forecast", the "Forecast Period"). The District Forecast has been broken down to distinguish between cash flow related to CEF and that related to other District operations. The District, including CEF, estimates a total net cash outflow of approximately \$748,843 over the Forecast Period and projects that it will have cash on hand of approximately \$5.6 million (including marketable securities) at the end of the Forecast Period. A summary of the District Forecast is included below.

The Lutheran Church - Canada, The Alberta - British Columbia District including the Church Extension Fund Statement of Projected Cash Flow For the Fifteen Week Period Ending May 23, 2015	
	<u>Total</u>
Cash flow from CEF operations	
Receipts	
Lease payments	\$ 87,051
Management Fees from DIL	68,000
Loan interest and principal payments	91,000
Total Receipts	<u>246,051</u>
Disbursements	
Mortgage payments	(84,564)
CEF salaries and benefits	(58,300)
Operating expenses	(86,000)
Emergency Fund	(185,870)
Restructuring fees	(310,000)
Communication fees	(180,000)
Total disbursements	<u>(904,734)</u>
Net cash flow from CEF operations	<u>\$ (658,683)</u>

**The Lutheran Church - Canada, The Alberta - British Columbia
District including the Church Extension Fund
Statement of Projected Cash Flow (cont'd)
For the Fifteen Week Period Ending May 23, 2015**

	Total
Cash flow from other District operations	
Receipts	
Wage recovery (Encharis Group)	\$ 55,000
Mission remittances	150,000
Rental income	4,500
Total receipts	209,500
Disbursements	
Salaries and benefits	(199,060)
Administrative expenses, travel and utilities	(27,750)
Outreach operating expenses	(39,100)
Parish and school services operating expenses	(15,800)
Department of Stewardship and Financial	
Ministries operating expenses	(4,000)
President's expenses	(2,700)
Plant fund expenses	(11,250)
Total disbursements	(299,660)
Net cash flow from other District operations	(90,160)
Total net cash flow	\$ (748,843)
Cash and marketable securities on hand	
Beginning balance	\$ 6,323,543
Total net cash flow	(748,843)
Ending balance	\$ 5,574,700

83. CEF is forecasting receipts of approximately \$246,051 over the Forecast Period. We highlight the following with respect to these receipts:

- 83.1 CEF collects monthly lease payments of approximately \$29,017 (\$28,000 plus GST) from the Golden Hill School Division for a lease on a property in Strathmore, Alberta (the "Golden Hill Property"). CEF granted a mortgage on the Golden Hill Property in favour of DIL and makes monthly mortgage payments to DIL in the amount of approximately \$29,017 per month or approximately \$87,051 over the Forecast Period;
- 83.2 CEF anticipates receiving approximately \$68,000 from DIL related to administrative assistance provided by the District; and
- 83.3 The investments held within CEF are anticipated to generate other cash receipts from loan interest and principal payments of approximately \$91,000 over the Forecast Period.

84. CEF is forecasting disbursements of approximately \$904,734 over the Forecast Period. We highlight the following with respect to these disbursements:
- 84.1 Operating expenses of \$86,000 (including building usage, utilities, postage and telephone) and salaries and benefits of \$58,300 (including all corresponding CRA payroll source deduction remittances) are estimated to be payable over the Forecast Period;
 - 84.2 Payments totalling \$185,870 over the Forecast Period have been projected to satisfy obligations due pursuant to the Emergency Fund, as defined herein;
 - 84.3 CEF estimates disbursements of approximately \$310,000 to pay restructuring fees, including payments to the Applicant's legal counsel, the Monitor and the Monitor's legal counsel. The estimated restructuring fees were increased from the original forecast that was filed by Management for the thirteen week period ended April 18, 2015 (the "Original District Forecast") based on updated estimates from the professionals involved; and
 - 84.4 CEF estimates fees associated with retaining a communications firm of approximately \$180,000 over the Forecast Period. Management has indicated that they are reviewing ways to reduce this expense on a go-forward basis.
85. The District is forecasting receipts from operations of approximately \$209,500 over the Forecast Period. We highlight the following with respect to these receipts:
- 85.1 The District anticipates receiving approximately \$55,000 from ECHS to reimburse the District for wages paid to District management employees that perform services for ECHS; and
 - 85.2 The District anticipates receiving Donations of approximately \$150,000 from its 127 Member Congregations over the Forecast Period, which are net of the LCC Payments.
86. The District is forecasting disbursements of approximately \$299,660 over the Forecast Period. We highlight the following with respect to these disbursements:
- 86.1 The District's employees are paid on a bi-weekly basis. Payroll and the corresponding CRA payroll source deduction remittances are anticipated to total approximately \$199,060 over the Forecast Period. Approximately three of these employees provide accounting and other support for EMSS. As such, approximately \$55,000 of these payroll costs are recoverable from EMSS over the Forecast Period;
 - 86.2 Operating expenses for outreach services, parish and school services and the department of stewardship and financial ministries are anticipated to total approximately \$39,100, \$15,800 and \$4,000 respectively over the Forecast Period; and
 - 86.3 Administrative expenses, travel and utilities are estimated to total approximately \$27,750 over the Forecast Period.

87. The District has an opening cash balance of approximately \$6.3 million consisting of a cash balance of approximately \$753,627 and marketable securities of approximately \$5.6 million, which were held with FI Capital Ltd. as at February 6, 2015. As noted above, the District, including CEF, is projected to have a net cash outflow of approximately \$748,843 over the Forecast Period. Based on their opening cash balance; however, CEF appears to have sufficient liquidity to sustain its ongoing operations during the Forecast Period.

DIL

88. Attached as "Schedule 5" is the Statement of Projected Cash Flow for DIL for the fifteen week period ending May 23, 2015 (the "DIL Forecast"). DIL estimates a net decrease in cash of approximately \$209,107 over the Forecast Period and projects that it will have cash on hand of \$17.9 million (including marketable securities) at the end of the Forecast Period. A summary of the DIL Forecast is included below.

Lutheran Church - Canada, The Alberta - British Columbia District Investments Ltd. Statement of Projected Cash Flow For the Fifteen Week Period Ending May 23, 2015	
	Total
Receipts	
Loan payments	\$ 262,172
Total receipts	<u>262,172</u>
Disbursements	
Management fee	(76,500)
Restructuring fees	(215,250)
Communication fees	(39,000)
Emergency Fund	(60,656)
Annual Minimum RRIF payments	(79,873)
Total disbursements	<u>(471,279)</u>
Net cash flow	<u><u>\$ (209,107)</u></u>
Cash and marketable securities on hand	
Beginning balance	\$ 18,123,731
Net cash flow	(209,107)
Ending balance	<u><u>\$17,914,624</u></u>

89. The only projected receipts into the investment fund relate to payments received on lines of credit and mortgages held within the investment fund (the "DIL Loans"). Payments pursuant to the DIL Loans are anticipated to total approximately \$262,172 over the Forecast Period.

90. DIL is forecasting disbursements of \$471,279 over the Forecast Period. We highlight the following with respect to these disbursements:

90.1 DIL estimates disbursements of \$76,500 for a management fee payable to the District, who assists in administering the investment fund;

- 90.2 DIL estimates disbursements of approximately \$215,250 to pay restructuring fees, including payments to the Applicant's legal counsel, the Monitor and the Monitor's legal counsel over the Forecast Period; and
- 90.3 DIL estimates disbursements of \$79,873 over the Forecast Period related to the Minimum Payments due pursuant to RRIFs. As reported above, the Minimum Payments have decreased from what was originally forecast due to a write-down on the overall value of the investment fund (defined above as the Write-Down).
91. DIL has an opening balance of approximately \$18.1 million including cash of \$434,195 and market investments of approximately \$17.7 million, which were held with FI Capital Ltd. as at February 6, 2015. As noted above, DIL is projected to have a net cash outflow from operations of approximately \$209,107 over the Forecast Period; however, based on their opening cash balance, DIL appears to have sufficient liquidity to sustain its ongoing operations during the Forecast Period.

ECHS

92. Attached as "Schedule 6" is the Statement of Projected Cash Flow for ECHS for the fifteen week period ending May 23, 2015 (the "ECHS Forecast"). ECHS estimates a net decrease in cash of approximately \$54,862 over the Forecast Period and projects that it will have cash on hand of approximately \$238,332 at the end of the Forecast Period. A summary of the ECHS Forecast is included below.

Encharis Community Housing and Services Statement of Projected Cash Flow For the Fifteen Week Period Ending May 23, 2015	
	Total
Receipts	
Lease revenue	\$ 259,500
Water and sewage revenue	145,525
RV lot rental	3,000
Total receipts	408,025
Disbursements	
Operating expenses	(254,137)
Restructuring fees	(126,750)
Communication fees	(12,000)
Contingency	(70,000)
Total disbursements	(462,887)
Net cash flow	\$ (54,862)
Cash on hand	
Beginning balance	\$ 293,194
Net cash flow	(54,862)
Ending balance	\$ 238,332

93. ECHS is projecting receipts of approximately \$408,025 over the Forecast Period. We highlight the following with respect to these receipts:
- 93.1 ECHS leases land and buildings that they own within the Prince of Peace Development to EMSS. Monthly lease payments of \$86,500 are due on the 1st of each month from EMSS to ECHS with respect to this lease. These monthly lease payments are estimated to total \$259,500 over the Forecast Period; and
 - 93.2 ECHS provides water and sewer services to EMSS and to the elementary and junior high school located in the Prince of Peace Development. Receipts for the provision of water and sewer services are estimated to total \$145,525 over the Forecast Period.
94. ECHS is projecting disbursements of approximately \$462,887 over the Forecast Period. We highlight the following with respect to these disbursements:
- 94.1 ECHS estimates disbursements of \$254,137 over the Forecast Period for ongoing operating expenses mainly consisting of payments to trade creditors including for the provision of water and sewer services;
 - 94.2 Disbursements to pay restructuring fees, including payments to the Applicants' legal counsel, the Monitor and the Monitor's legal counsel are estimated to total approximately \$126,750 over the Forecast Period; and
 - 94.3 Contingency payments of approximately \$70,000 over the Forecast Period include payments related to the repair of roadways and the master-site plan approval process for the Prince of Peace Development.
95. ECHS has an opening cash balance of approximately \$293,194. As noted above, ECHS is projected to have a net cash outflow of approximately \$54,862 over the Forecast Period; however, based on their opening cash balance, ECHS appears to have sufficient liquidity to sustain its ongoing operations during the Forecast Period.

EMSS

96. Attached as "Schedule 7" is the Statement of Projected Cash Flow for EMSS for the fifteen week period ending May 23, 2015 (the "EMSS Forecast"). EMSS estimates a net decrease in cash of approximately \$503,443 over the Forecast Period and projects that it will have cash on hand of \$588,979 at the end of the Forecast Period. A summary of the EMSS Forecast is included below:

**Encharis Management and Support Services
Statement of Projected Cash Flow
For the Fifteen Week Period Ending May 23, 2015**

	Total
Receipts	
Rent	\$ 1,290,000
Alberta Health Services ("AHS") funding	1,166,532
Wage recoveries	49,700
Miscellaneous revenue	30,000
Total receipts	2,536,232
Disbursements	
Payroll	(1,435,000)
RRSP's	(76,300)
Health benefits	(120,000)
Administrative expenses	(206,750)
Food services expenses	(138,750)
Housekeeping expenses	(29,625)
Healthcare expenses	(8,750)
Maintenance expenses	(263,250)
Utility expenses	(205,000)
Diversicare	(88,000)
Lease payments	(259,500)
Restructuring fees	(126,750)
Communication fees	(12,000)
Contingency	(70,000)
Total disbursements	(3,039,675)
Net cash flow	\$ (503,443)
Cash on hand	
Beginning balance	\$ 1,092,422
Total net cash flow	(503,443)
Ending balance	\$ 588,979

97. EMSS is projecting receipts of approximately \$2.5 million over the Forecast Period. We highlight the following with respect to these receipts:

97.1 EMSS is estimated to receive \$1.3 million from rental revenue collected over the Forecast Period. The rental revenue is paid by individual residents of the Harbour and the Manor senior's care facilities; and

97.2 EMSS' other main source of revenue is from a grant provided by AHS, which is received in monthly installments at the beginning of each month (the "AHS Payments"). The AHS Payments are anticipated to total approximately \$1.2 million over the Forecast Period.

98. EMSS is projecting disbursements of approximately \$3.0 million over the Forecast Period. We highlight the following with respect to these disbursements:

98.1 EMSS' employees are paid on a bi-weekly basis. Payroll for EMSS employees is estimated to total \$1.4 million over the Forecast Period, including CRA payroll source deductions.

- Additional RRSP and health benefits for EMSS employees in the respective amounts of \$76,300 and \$120,000 are anticipated to be payable over the Forecast Period;
- 98.2 As noted above, EMSS makes monthly lease payments to ECHS for use of the land and buildings from which the Harbour and the Manor operate and for water and sewage services. These payments are anticipated to total \$259,500 and \$205,000, respectively, over the Forecast Period;
- 98.3 Maintenance expenses are anticipated to total \$263,250 over the Forecast Period. This represents a significant increase from the original forecast that was filed by Management for the thirteen week period ended April 18, 2015 (the "Original EMSS Forecast"). These increases are the result of certain one-time capital expenditures that are required, the most significant of which relates to the repair of woodpecker damage at the Manor and the Harbour (the "Woodpecker Repair"). The Woodpecker Repair is estimated to cost approximately \$198,500; however, completing this repair is anticipated to enhance the future resale value of the Harbour and the Manor and prevent further damage; and
- 98.4 Disbursements to pay restructuring fees, including payments to the Applicants' legal counsel, the Monitor and the Monitor's legal counsel are estimated to total approximately \$126,750 over the Forecast Period.
99. EMSS has an opening cash balance of approximately \$1,092,422. As noted above, EMSS is projected to have a net cash outflow from operations of approximately \$503,443 over the Forecast Period; however, based on their opening cash balance, EMSS appears to have sufficient liquidity to sustain its ongoing operations during the Forecast Period.

Monitor's Report on Cash Flow Statements

100. The District Forecast, the DIL Forecast, the ECHS Forecast and the EMSS Forecast will collectively be referred to as the "Applicants' Forecasts".
101. The Monitor reports as follows with respect to the Applicants' Forecasts:
- 101.1 Each of the Applicants' Forecasts have been prepared by Management for the purposes described in the notes contained therein (the "Notes") using the probable and hypothetical assumptions set out in the Notes;
- 101.2 The Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied to it by Management and selected employees of the Applicants. Since hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of each of the Applicants' Forecasts. We have also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of Applicants' Forecasts;

- 101.3 Based on our review, nothing has come to the attention of the Monitor that causes us to believe that, in all material respects:
- 101.3.1 The hypothetical assumptions are not consistent with the purpose of the each of the Applicants' Forecasts;
 - 101.3.2 As at the date of this report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of each of the Applicants or do not provide a reasonable basis for each of the Applicants' Forecasts, given the hypothetical assumptions; or
 - 101.3.3 Each of the Applicants' Forecasts does not reflect the probable and hypothetical assumptions.
- 101.4 Since the Applicants' Forecasts are based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Applicants' Forecasts will be achieved. We further express no opinion or other form of assurance with respect to the accuracy of any financial information reported with respect to the Applicants' Forecasts, or relied upon by it in reporting on the Applicants' Forecasts; and
- 101.5 The Applicants' Forecasts have been prepared solely for the purpose described in the Notes, and readers are cautioned that they may not be appropriate for other purposes.

Variance Analysis

District

102. Attached as "Schedule 8" is a variance analysis for the period from January 21, 2015 to February 7, 2015 (the "Variance Analysis", the "Variance Period"). The Variance Analysis reflects an overall net negative variance of approximately \$254,500. The Variance Analysis is based on the Original District Forecast.

103. The following is a summary of the permanent variances over \$5,000 reported over the Variance Period:

103.1 The most significant negative variance of approximately \$270,637 related to the payment of restructuring fees (the "Restructuring Variance"). The Monitor previously understood that cheques for professional fees and expenses has been released to pay invoices up to the date of the Initial Order; however, Management has advised that selected invoices remained unpaid from the pre-filing period for the Monitor, the Monitor's legal counsel and the District Group's legal counsel. The Monitor notes; however, that restructuring fees and expenses are being allocated among the Applicants, based on the percentage of time estimated as being dedicated to each entity. This allocation was not completed for the Variance Period but will be done as an adjustment for future payments of restructuring fees by the Applicants. As such a portion of the Restructuring Variance is timing related as it will be recovered from the other Applicants, based on the quantum allocated to them. Approximately \$175,000 of the Restructuring Variance is estimated to be permanent.

103.2 A positive variance of \$7,000 was reported for wages recovered from EMSS, which were erroneously excluded from the Original District Forecast;

103.3 A positive variance of \$25,100 was reported for the collection of accounts receivable, which were not included in the Original District Forecast;

103.4 A negative variance of \$11,668 was reported due to mission remittances from congregations being lower than projected in the Original District Forecast;

103.5 A negative variance of \$21,407 was reported as a result of a payment due for the District employees' pension plan being erroneously excluded from the Original District Forecast; and

103.6 A total net positive variance of \$24,482 related to operating expenses for outreach services, parish and school services and the department of stewardship and financial ministries.

DIL

104. Attached as "Schedule 9" is a Variance Analysis for the Variance Period for DIL. The Variance Analysis reflects an overall net positive variance of \$260,235. The Variance Analysis is based on the Statement of Projected Cash Flow for the District for the thirteen week period ending April 18, 2015 (the "Original DIL Forecast")

105. The following is a summary of the permanent variances over \$5,000 reported over the Variance Period:

105.1 Approximately \$210,679 was received as the repayment of a loan to Faith Evangelical Lutheran Church in Grande Prairie, Alberta (the "Loan Repayment"). The Loan repayment resulted in a net positive variance of \$209,233 for loan payments over the Variance Period. As the Loan Repayment constitutes the realization of a DIL Asset, Management has indicated that this amount will be kept in a segregated trust account, until such time as the proceeds can be included in the Plan; and

105.2 A positive variance of approximately \$15,781 related to statutory annual minimum RRIF payments. Pursuant to the Initial Order, DIL was entitled to continue to make required statutory annual minimum RRIF payments. The required statutory annual minimum payments are calculated based on an established formula taking into account the value of the DIL Assets and the age of the depositor. As certain of the DIL Assets are not anticipated to be realizable, DIL estimated a Write-Down, thereby reducing the amount of the required statutory annual minimum payments.

ECHS

106. Attached as "Schedule 10" is a Variance Analysis for the Variance Period for ECHS. The Variance Analysis reflects an overall net positive variance of \$42,008. The Variance Analysis is based on the Statement of Projected Cash Flow for the District for the thirteen week period ending April 18, 2015 (the "Original ECHS Forecast")

107. Only one permanent variance over \$5,000 was reported over the Variance Period (the "ECHS Variance"). The ECHS Variance resulted from operating expenses being \$6,896 lower than what was originally projected as a result of selected pre-filing amounts being erroneously included in the Original ECHS Forecast.

EMSS

108. Attached as "Schedule 11" is a Variance Analysis for the Variance Period for EMSS. The Variance Analysis reflects an overall net positive variance of \$152,997. The Variance Analysis is based on the Original EMSS Forecast.

109. The following is a summary of the permanent variances over \$5,000 reported over the Variance Period:

109.1 A positive variance in rents in the amount of \$11,566 due to a scheduled increase in the amount collected from AHS for beds in the Harbour and the Manor, which was not taken into account in the Original EMSS Forecast;

109.2 A net positive variance of \$35,170 during the Variance Period for food services, housekeeping, maintenance and utility expenses as a result of selected pre-filing amounts being erroneously included in the Original EMSS Forecast;

109.3 A positive variance of \$24,406 for payroll as a result of staff being reduced at the Harbour and the Manor. This was partially offset by a negative variance in employee RRSP contributions in the amount of \$5,144 as a result of a scheduled increase in contribution rates; and

109.4 A permanent negative variance of \$17,146 in administrative expenses due to a required installment payment to the WCB being included.

Emergency Fund

110. As reported above, on January 2, 2015, the District placed a moratorium on depositor redemptions on investments held within the CEF (the "Moratorium"). Concurrent with the Moratorium, the District implemented a program whereby high needs individuals and congregations would still be able to access funds on a monthly basis (the "Emergency Fund"). The Emergency Fund was implemented in order to avoid a situation where depositors, many of whom are seniors, would not have sufficient funds to cover their basic necessities. The Emergency Fund was approved by the Court pursuant to the Initial Order. The key characteristics of the Emergency Fund are detailed in the Pre-Filing Report and are summarized below:

110.1 Depositors must submit an application form, which requests specific information on the applicant's monthly income, expenses and assets;

110.2 Depositor applications are assessed based on the Applicant's income, taking into account non-discretionary expenses such as out of pocket medical expenses, their assets and the liquidity of those assets and the Depositor's individual circumstances; and

110.3 Individual congregations who are depositors in CEF may also make applications to the Emergency Fund in order to fund day to day operating expenses such as the wages of each congregation's pastor.

111. Since the implementation of the Emergency Fund, the Monitor has reviewed 26 applications and 22 applications have been approved. We note that all applications are reviewed by the Applicants prior to being provided to the Monitor. Management previously estimated that approximately \$75,000 per month would be required to maintain the Emergency Fund on a go-forward basis. Based on the applications approved to date, this amount appears to be sufficient to satisfy the payments required pursuant to the Emergency Fund.

Conclusion

112. Based on the Monitor's dealings with Management and the Monitor's review of the District Group's operations and restructuring efforts to date, we can advise that:

112.1 The District Group appears to be acting in good faith and with due diligence;

112.2 The District Group is cooperating with the Monitor and appears to be making efforts to a Plan;

112.3 The District Group is seeking the appointment of a CRO, as described herein; and

112.4 The Monitor is of the view that the District Group's creditors will not be materially prejudiced by an extension; however, the Monitor would recommend a 30 day extension at this time, due to the fact that a CRO has not yet been appointed.

113. The Monitor is supportive of the following relief being sought by the District Group at the February 20 Hearing:

113.1 Approving the Claims Process;

113.2 Approving the appointment of a CRO;

113.3 Authorizing the LCC Payments and setting the terms of the LCC Payments;

113.4 Extending the D&O indemnification and charge granted in the Initial Order to the Joint Committee;

113.5 Authorizing ECHS to make the Pre-Filing Payments;

113.6 Appointing Pure Elements as a critical supplier subject to the terms of the Initial Order; and

113.7 Authorizing the subdivision of selected lands within the Prince of Peace Development.

114. The Monitor is seeking approval of the Committee Process, which it believes will facilitate the involvement of the CEF Depositors and DIL Depositors in the restructuring process and facilitate creditor representation on various issues where the interests of CEF and DIL are divergent.

DELOITTE RESTRUCTURING INC.,

In its capacity as proposed 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



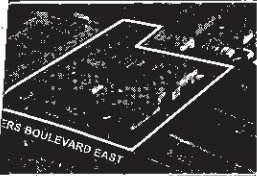
Jeff Keeble CA, CIRP, CBV
Senior Vice-President

Schedules

Schedule 1

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LEGALS

**Notice to the Creditors and
Depositors 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 (collectively the
"District Group")

Please be informed that, on January
23, 2015, 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 (Canada)* (the "CCAA"). The Initial
Order provides for a stay of pro-
ceeding until February 20, 2015 (the
"Stay"), pursuant to which creditors
are restrained from enforcing or exer-
cising any rights or remedies against
the District Group.

Deloitte Restructuring Inc. was
appointed by the Court as the Monitor
in the CCAA proceedings.

The Initial Order, a listing of credi-
tors and depositors as represented
by the District Group, and other
publicly available documents, can be
accessed via the Monitor's website at
www.insolvencies.deloitte.ca under
the "Lutheran Church – Canada, the
Alberta – British Columbia District et.
al." link (the "Deloitte Website").

Interested parties are encouraged to
check the Deloitte Website frequently
for updates as to the status of CCAA
proceedings. For further information, you
may also contact the Monitor as follows:

Deloitte.

Deloitte. Restructuring Inc.
700, 850 – 2nd Street S.W.
Calgary AB T2P 0R8
Canada

Telephone: 403-267-1899
Facsimile: 403-718-3681
Email: calgaryrestructuring@deloitte.ca



Call: 416-585-5111 or 1-866-999-9237
advertising@globeandmail.com

**NOTICE OF
BANKRUPTCY AND
FIRST MEETING OF
CREDITORS**

In the matter of the bankruptcy of
William Thomas Hrynkiw, of the City
of Whitby, in the Province of Ontario.

Notice is hereby given that the bank-
ruptcy of William Thomas Hrynkiw,
residing in the city of Whitby, occurred
on January 21, 2015 and that the first
meeting of creditors will be held on
February 9, 2015, at 11:00 AM, at the
office of the Trustee at 100 Simcoe
Street, Suite 125, Toronto, Ontario,
M5H 3G2.

Dated at Toronto, this 29th day of
January, 2015.

Albert Gelman Inc.,
Trustee in Bankruptcy
100 Simcoe Street, Suite 125,
Toronto, ON M5H 3G2
www.albertgelman.com

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REPORT ON BUSINESS

Schedule 2

February 2, 2015

Notice to holders of RRIFs in Lutheran Church – Canada, the Alberta – British Columbia District Investments Ltd. (“District Investments”)

Pursuant to District Investments proceedings under the *Companies’ Creditors Arrangement Act (Canada)* (the “CCAA”) there is a stay of proceedings in place that affects all redemptions, transfers or interest payments to depositors, with the exception of required statutory minimum payments for RRIF holders which are to be continued to be made in the ordinary course.

As part of the CCAA proceeding, District Investments will be reviewing their options with respect to presenting a plan of arrangement (“Plan”) to their creditors, including the holders of RRIFs. At present the details of any Plan are not yet known.

In reviewing the assets held within District Investments, it is currently anticipated that selected loans will not be collectible. These include two loans made to Encharis Community Housing and Services totaling approximately \$7.7 million, which are secured by a registered mortgage (the “ECHS Mortgage”) against selected properties within the Prince of Peace development. The ECHS Mortgage is registered in second position behind a mortgage to Lutheran Church – Canada, the Alberta – British Columbia District (the “District”). Because the value of the property subject to the ECHS Mortgage appears to be insufficient to repay the mortgage in favour of the District, it is not anticipated that District Investments will recover anything under the ECHS Mortgage.

The Monitor is currently reviewing the remaining loans held within the District Investments fund. In the meantime, however, the Monitor understands that District Investments has reduced the face value of the investments, which in turn reduces the statutory required minimum payments to RRIF holders, by 24%. The reason for this is to ensure an equitable distribution to the depositors within District Investments. Based on the information reviewed by the Monitor, the Monitor is satisfied that this adjustment is reasonable.

We note that, the ultimate recovery to the depositors within District Investments, including the holders of RRIFs, is uncertain at this time and will be determined at a later point in the CCAA proceedings.

For those who require payments from their RRIFs above the statutory minimum payments, an emergency fund has been established and applications can be obtained by contacting District Investments or accessing the website set up by the District for depositors at www.abcdistrict.ca using the login information that was previously provided.

Yours truly,

DELOITTE RESTRUCTURING INC.

In its capacity as the Court-appointed Monitor of Lutheran Church – Canada, the Alberta – British Columbia District, Lutheran Church – Canada, the Alberta – British Columbia District Investments Ltd. and not in its personal or corporate capacity



Per: Vanessa Allen, B. Comm, CIRP
Vice-President

Schedule 3



Deloitte Restructuring Inc.
700, 850 – 2nd Street S.W.
Calgary AB T2P 0R8
Canada

Tel: 403-267-1899
Fax: 403-718-3681
www.deloitte.ca

February 10, 2015

Notice to Life Lease Residents in the Prince of Peace Village

Re: Lutheran Church – Canada, the Alberta – British Columbia District, Lutheran Church – Canada, the Alberta – British Columbia District Investments Ltd. (“District Investments”), Encharis Community Housing Services (“ECHS”) and Encharis Management and Support Services (collectively, the “District Group”) – Proceedings under the *Companies’ Creditors’ Arrangement Act* (the “CCAA”)

As you are likely aware, the District Group obtained an Initial Order from the Court of Queen’s Bench of Alberta on January 23, 2015. Deloitte Restructuring Inc. (“Deloitte”) acts as Court-appointed Monitor in the CCAA proceedings.

In response to inquiries received by Deloitte, the purpose of this correspondence is to provide information to life lease residents in the Prince of Peace Village (the “Residents”) as to how they may be impacted by the CCAA proceedings.

The Initial Order provides for a stay of proceedings until February 20, 2015. A Court application has been scheduled for February 20, 2015 at which time the District Group will be seeking, among other relief, an extension of the stay of proceedings and Court approval for a claims process (the “Claims Process”). Subject to Court approval, the Residents will be included in the Claims Process. The extension of the stay of proceedings will be required to allow the District Group additional time to formulate their plan of arrangement (the “Plan”).

Based upon information provided to us by the District Group, it is currently anticipated that the claims of Residents would be compromised as follows under the Plan:

- The Residents will be included in the claims process with respect to their contingent claim against ECHS, which will be valued based on the amount of each Resident’s 2015 property tax assessment less a 5% conversion fee (the “Conversion Fee”);
- Life leases that are surrendered prior to the Plan being filed will be dealt with in the ordinary course (i.e. assistance will be provided to market the corresponding property and the Conversion Fee will be payable upon resale of that property);
- Life leases existing as of the filing of the Plan, will be converted to fee simple pursuant to the Plan, subject to the Conversion Fee, which will be payable to District Investments;
- Residents will have the option to either pay the Conversion Fee to District Investments at the time of the conversion of the life lease to fee simple or to defer payment of the Conversion Fee. Residents may defer payment of the Conversion Fee until such time as the corresponding property is sold subject to a mortgage payable to District Investments in the amount of the Conversion Fee being registered on the title of the corresponding property. Where a Resident has chosen to defer payment of the Conversion Fee and a corresponding mortgage has been granted, the Conversion Fee will only be payable at such time as the property is sold.

It is further anticipated that the Residents will be included in any Plan and have the opportunity to vote on any Plan as a separate class of creditors.

Although the details of the Plan may be subject to change and any Plan will ultimately be subject to creditor and Court approval, we note that any Plan is contemplated to include provisions that will cause the least disruption possible for Residents.

Additional information regarding the CCAA proceedings will be posted on the Monitor's website at the following link:

http://www.insolvencies.deloitte.ca/en-ca/Pages/lutheran_church_canada_the_alberta_british_columbia_district_et_al.aspx

Should you have additional questions, please contact the undersigned at 403-298-5955.

Yours truly,

DELOITTE RESTRUCTURING INC.

In its capacity as the Court-appointed Monitor of Lutheran Church – Canada, the Alberta – British Columbia District, Lutheran Church – Canada, the Alberta – British Columbia District Investments Ltd. and not in its personal or corporate capacity



Per: Vanessa Allen, B. Comm, CIRP
Vice-President

Schedule 4

The Lutheran Church - Canada, The Alberta - British Columbia District (the "District") including the Church Extension Fund ("CEF")
 Statement of Projected Cash Flow
 For the Fifteen Week Period Ending May 23, 2015

Week ending	14-Feb-15	21-Feb-15	28-Feb-15	7-Mar-15	14-Mar-15	21-Mar-15	28-Mar-15	4-Apr-15	11-Apr-15	18-Apr-15	25-Apr-15	2-May-15	9-May-15	16-May-15	23-May-15	Total	Notes
Cash flow from CEF operations																	
Receipts																	
Lease payments				\$ 29,017				\$ 29,017				\$ 29,017				\$ 87,051	1
Management Fees from DIL		17,000				17,000				17,000					17,000	68,000	2
Loan interest and principal payments	8,817	16,737	245	1,000	3,500	16,737	245	1,000	3,500	16,737	245	1,000	3,500	16,737	1,000	91,000	3
Total Receipts	8,817	33,737	245	30,017	3,500	33,737	245	30,017	3,500	33,737	245	30,017	3,500	16,737	18,000	246,051	
Disbursements																	
Mortgage payments				(28,188)				(28,188)				(28,188)				(84,564)	4
CEF salaries and benefits	(13,000)			(2,100)	(13,000)			(2,100)		(13,000)		(2,100)		(13,000)		(58,300)	
Operating expenses	(2,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(86,000)	5
Emergency Fund		(31,555)	(700)	(5,795)	(13,025)	(33,785)	(700)	(13,025)	(3,785)	(30,700)	(700)	(13,025)	(13,025)	(13,025)	(185,870)	(310,000)	6
Restructuring fees	(95,000)		(60,000)			(60,000)				(47,500)				(47,500)		(180,000)	7
Communication fees			(60,000)			(40,000)				(40,000)				(40,000)			
Total disbursements	(110,000)	(37,555)	(126,700)	(42,083)	(32,025)	(139,785)	(6,700)	(49,313)	(9,785)	(137,200)	(6,700)	(49,313)	(19,025)	(119,525)	(19,025)	(904,734)	
Net cash flow from CEF operations	(101,183)	(3,818)	(126,455)	(12,066)	(28,525)	(106,048)	(6,455)	(19,296)	(6,285)	(103,463)	(6,455)	(19,296)	(15,525)	(102,788)	(1,025)	(658,683)	
Cash flow from other District operations																	
Receipts																	
Wage recovery (Encharis Group)		11,500		2,500		12,000		2,500		12,000		2,500		12,000		55,000	8
Mission remittances	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	150,000	9
Rental income				1,500		1,500		1,500		1,500		1,500		1,500		4,500	10
Total receipts	10,000	21,500	10,000	14,000	10,000	22,000	10,000	14,000	10,000	22,000	10,000	14,000	10,000	22,000	10,000	209,500	
Disbursements																	
Salaries and benefits	(45,040)			(2,100)	(49,240)			(2,100)		(49,240)		(2,100)		(49,240)		(199,060)	11
Administrative expenses, travel and utilities	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(1,850)	(27,750)	12
Outreach operating expenses	(600)	(6,000)	(500)	(500)	(6,000)	(500)	(500)	(500)	(6,000)	(500)	(500)	(500)	(6,000)	(10,000)	(500)	(39,100)	13
Parish and school services operating expenses	(2,500)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(15,800)	14
Department of Stewardship and Financial Ministries operating expenses			(1,000)			(1,000)				(1,000)				(1,000)		(4,000)	15
President's expenses	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(2,700)	
Plant fund expenses	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(11,250)	16
Total disbursements	(50,920)	(9,730)	(5,230)	(6,330)	(58,970)	(5,230)	(4,230)	(6,330)	(9,730)	(54,470)	(4,230)	(6,330)	(9,730)	(63,970)	(4,230)	(299,660)	
Net cash flow from other District operations	(40,920)	11,770	4,770	7,670	(48,970)	16,770	5,770	7,670	270	(32,470)	5,770	7,670	270	(41,970)	5,770	(90,160)	
Total net cash flow	\$ (142,103)	\$ 7,952	\$ (121,685)	\$ (4,396)	\$ (77,495)	\$ (89,278)	\$ (685)	\$ (11,626)	\$ (6,015)	\$ (135,933)	\$ (685)	\$ (11,626)	\$ (15,255)	\$ (144,758)	\$ 4,745	\$ (748,843)	
Cash and marketable securities on hand																	
Beginning balance	\$ 6,323,543	\$ 6,181,440	\$ 6,189,392	\$ 6,067,707	\$ 6,063,311	\$ 5,985,816	\$ 5,896,538	\$ 5,895,853	\$ 5,884,227	\$ 5,878,212	\$ 5,742,279	\$ 5,741,594	\$ 5,729,968	\$ 5,714,713	\$ 5,569,955	\$ 6,323,543	17
Total net cash flow	(142,103)	7,952	(121,685)	(4,396)	(77,495)	(89,278)	(685)	(11,626)	(6,015)	(135,933)	(685)	(11,626)	(15,255)	(144,758)	4,745	(748,843)	
Ending balance	\$ 6,181,440	\$ 6,189,392	\$ 6,067,707	\$ 6,063,311	\$ 5,985,816	\$ 5,896,538	\$ 5,895,853	\$ 5,884,227	\$ 5,878,212	\$ 5,742,279	\$ 5,741,594	\$ 5,729,968	\$ 5,714,713	\$ 5,569,955	\$ 5,574,700	\$ 5,574,700	

Prepared as at the 13 day of February 2015

The Lutheran Church - Canada, The Alberta - British Columbia District (the "District") including the Church Extension Fund ("CEF")
Statement of Projected Cash Flow
For the Fifteen Week Period Ending May 23, 2015

Purpose:

This Statement of Projected Cash Flow (the "Cash Flow") has been prepared by management pursuant to section 10(2)(a) of the *Companies' Creditors' Arrangement Act*. It is being filed specifically for the purposes contemplated in that section and readers are cautioned that it may not be appropriate for other purposes. The Cash Flow has been prepared based on the hypothetical and probable assumptions described in the general and specific notes. In addition the Cash Flow has been prepared based on assumptions regarding future events; therefore actual results may vary from the estimates presented herein and these variances may be material.

The Lutheran Church - Canada - The Alberta
British Columbia District

Per: Kurt Robinson, Executive Director of
Stewardship and Finance

Notes & Assumptions - General:

1. Unless otherwise stated, amounts are based on historical data and management estimates.
2. All amounts include applicable GST.
3. CEF placed a moratorium on depositors redemptions effective January 2, 2015.

Notes & Assumptions - Specific:

1. Monthly lease payments made from Golden Hills School Division for lease of a portion of a property located in Strathmore, Alberta. The loan on Strathmore Property is held in the Lutheran Church - Canada, The Alberta - British Columbia District Investments Ltd. ("DIL"); therefore payments are transferred to DIL from CEF on a monthly basis (the "Golden Hill Payment").
2. Management fees payable for administrative support provided to the Lutheran Church - Canada, the Alberta - British Columbia District Investments Ltd.
3. Loan payments made from various churches in the District average \$7,000 per week. The other mortgages and lines of credit left in the CEF pay on inconsistent dates and are not always kept current.
4. Represents the Golden Hill Payment.
5. Represents payments made pursuant to an emergency fund whereby high need individuals would still be able to access funds on a monthly basis during the CCAA proceedings.
6. Represents anticipated amounts payable to District's legal counsel, the CCAA Monitor and other restructuring professionals providing assistance during the CCAA proceedings.
7. Includes amounts payable to Hill & Knowlton Strategies to assist in communications throughout the restructuring.
8. Encharis Management and Support Services makes monthly payments to the District for the use of selected management employees.
9. Represents the anticipated weekly amount of mission commitments received from the churches throughout the District.
10. Includes \$1,500 per month for rent on a condominium in Richmond, BC.
11. Includes monthly salary, benefits and pension amounts. The District is WCB exempt.
12. Includes information technology, general office expenses and travel.
13. Program funding given to churches within the District. Churches have accessed this program by applying for specific funding with all amounts being reviewed by the Outreach Department and approved by the District's board of directors.
14. Program funding given to churches within the District. Churches have accessed this program by applying for specific funding with all amounts being reviewed by the Parish and School Services Department and approved by the District's board of directors.
15. Monthly amount sent to the Lutheran Church Canada for use of the services of the LCC gift planner, who is assigned to the District.
16. Regular operating expenses such as grounds keeping and maintenance on District owned properties.
17. Includes marketable securities held with FI Capital with a fair market value of approximately \$5,569,921 as at February 6, 2015.

Schedule 5

Lutheran Church - Canada, The Alberta - British Columbia District Investments Ltd. ("DIL")

Statement of Projected Cash Flow

For the Fifteen Week Period Ending May 23, 2015

Week ending	14-Feb-15	21-Feb-15	28-Feb-15	7-Mar-15	14-Mar-15	21-Mar-15	28-Mar-15	4-Apr-15	11-Apr-15	18-Apr-15	25-Apr-15	2-May-15	9-May-15	16-May-15	23-May-15	Total	Notes
Receipts																	
Loan payments	\$ 5,000	\$ 3,400	\$ 12,500	\$ 48,518	\$ 5,000	\$ 3,400	\$ 12,500	\$ 48,518	\$ 5,000	\$ 3,400	\$ 12,500	\$ 45,518	\$ 5,000	\$ 3,400	\$ 48,518	\$ 262,172	1
Total receipts	5,000	3,400	12,500	48,518	5,000	3,400	12,500	48,518	5,000	3,400	12,500	45,518	5,000	3,400	48,518	262,172	
Disbursements																	
Management fee		(25,500)				(17,000)				(17,000)					(17,000)	(76,500)	2
Restructuring fees		(28,500)	(78,000)			(39,000)					(39,000)				(30,750)	(215,250)	3
Communication fees			(12,000)			(9,000)					(9,000)				(9,000)	(39,000)	4
Emergency Fund		(1,109)	(18,881)			(1,109)	(18,881)			(1,109)	(9,229)			(1,109)	(9,229)	(60,656)	5
Annual Minimum RRIF payments		(1,494)	(18,677)			(1,494)	(18,236)			(1,494)	(18,492)			(1,494)	(18,492)	(79,873)	6
Total disbursements	-	(56,603)	(127,558)	-	-	(67,603)	(37,117)	-	-	(19,603)	(75,721)	-	-	(2,603)	(84,471)	(471,279)	
Net cash flow	\$ 5,000	\$ (53,203)	\$ (115,058)	\$ 48,518	\$ 5,000	\$ (64,203)	\$ (24,617)	\$ 48,518	\$ 5,000	\$ (16,203)	\$ (63,221)	\$ 45,518	\$ 5,000	\$ 797	\$ (35,953)	\$ (209,107)	
Cash and marketable securities on hand																	
Beginning balance	\$ 18,123,731	\$ 18,128,731	\$ 18,075,528	\$ 17,960,471	\$ 18,008,989	\$ 18,013,989	\$ 17,949,786	\$ 17,925,168	\$ 17,973,686	\$ 17,978,686	\$ 17,962,483	\$ 17,899,262	\$ 17,944,780	\$ 17,949,780	\$ 17,950,577	\$ 18,123,731	7
Net cash flow	5,000	(53,203)	(115,058)	48,518	5,000	(64,203)	(24,617)	48,518	5,000	(16,203)	(63,221)	45,518	5,000	797	(35,953)	(209,107)	
Ending balance	\$ 18,128,731	\$ 18,075,528	\$ 17,960,471	\$ 18,008,989	\$ 18,013,989	\$ 17,949,786	\$ 17,925,168	\$ 17,973,686	\$ 17,978,686	\$ 17,962,483	\$ 17,899,262	\$ 17,944,780	\$ 17,949,780	\$ 17,950,577	\$ 17,914,624	\$ 17,914,624	

Prepared as at the 13 day of February 2015

Purpose:

This Statement of Projected Cash Flow (the "Cash Flow") has been prepared by management pursuant to section 10(2)(a) of the *Companies' Creditors' Arrangement Act*. It is being filed specifically for the purposes contemplated in that section and readers are cautioned that it may not be appropriate for other purposes. The Cash Flow has been prepared based on the hypothetical and probable assumptions described in the general and specific notes. In addition, the Cash Flow has been prepared based on assumptions regarding future events; therefore actual results may vary from the estimates presented herein and these variances may be material.

The Lutheran Church - Canada, the Alberta
British Columbia District Investments Ltd.

Per: Kurt Robinson, Executive Director of
Stewardship and Finance

Notes & Assumptions - General:

1. Unless otherwise stated, amounts are based on historical data and management estimates.
2. All amounts include applicable GST.
3. DIL has not processed any depositors redemptions since January 2, 2015.

Notes & Assumptions - Specific:

1. Includes loan payments from various churches within Lutheran Church - Canada, the Alberta - British Columbia District for mortgages held by DIL.
2. Monthly management fees payable to CEF and quarterly portfolio fees paid to DIL's investment advisor at FI Capital.
3. Represents anticipated amounts payable to DIL's legal counsel, the CCAA Monitor and other restructuring professionals providing assistance during the CCAA proceedings.
4. Includes amounts payable to Hill & Knowlton Strategies to assist in communications throughout the restructuring.
5. Represents payments made pursuant to an emergency fund whereby high need individuals would still be able to access funds on a monthly basis during the CCAA proceedings.
6. Represents minimum payments required to be paid out to depositors pursuant to their RRIFs.
7. DIL held marketable securities with a fair market value of approximately \$17,689,536 with FI capital as at February 6, 2015.

Schedule 6

Encharis Community Housing and Services ("ECHS")
Statement of Projected Cash Flow
For the Fifteen Week Period Ending May 23, 2015

Week ending	14-Feb-15	21-Feb-15	28-Feb-15	7-Mar-15	14-Mar-15	21-Mar-15	28-Mar-15	4-Apr-15	11-Apr-15	18-Apr-15	25-Apr-15	2-May-15	9-May-15	16-May-15	23-May-15	Total	Notes
Receipts																	
Lease revenue				\$ 86,500				\$ 86,500				\$ 86,500				\$ 259,500	1
Water and sewage revenue		19,000		36,000	6,175			36,000	6,175			36,000	6,175			145,525	2
RV lot rental				1,000				1,000				1,000				3,000	3
Total receipts		19,000		123,500	6,175			123,500	6,175			123,500	6,175			408,025	
Disbursements																	
Operating expenses	(35,450)	(12,837)	(3,000)	(3,000)	(4,150)	(58,000)	(3,000)	(3,000)	(3,000)	(25,350)	(36,000)	(3,000)	(3,000)	(25,350)	(36,000)	(254,137)	4
Restructuring fees		(33,250)	(45,000)			(22,500)					(13,000)				(13,000)	(126,750)	5
Communication fees			(3,000)			(3,000)					(3,000)				(3,000)	(12,000)	6
Contingency		(10,000)		(10,000)		(10,000)		(10,000)		(10,000)		(10,000)		(10,000)		(70,000)	7
Total disbursements	(35,450)	(56,087)	(51,000)	(13,000)	(4,150)	(93,500)	(3,000)	(13,000)	(3,000)	(35,350)	(52,000)	(13,000)	(3,000)	(35,350)	(52,000)	(462,887)	
Net cash flow	\$ (35,450)	\$ (37,087)	\$ (51,000)	\$ 110,500	\$ 2,025	\$ (93,500)	\$ (3,000)	\$ 110,500	\$ 3,175	\$ (35,350)	\$ (52,000)	\$ 110,500	\$ 3,175	\$ (35,350)	\$ (52,000)	\$ (54,862)	
Cash on hand																	
Beginning balance	\$ 293,194	\$ 257,744	\$ 220,657	\$ 169,657	\$ 280,157	\$ 282,182	\$ 188,682	\$ 185,682	\$ 296,182	\$ 299,357	\$ 264,007	\$ 212,007	\$ 322,507	\$ 325,682	\$ 290,332	\$ 293,194	
Net cash flow	(35,450)	(37,087)	(51,000)	110,500	2,025	(93,500)	(3,000)	110,500	3,175	(35,350)	(52,000)	110,500	3,175	(35,350)	(52,000)	(54,862)	
Ending balance	\$ 257,744	\$ 220,657	\$ 169,657	\$ 280,157	\$ 282,182	\$ 188,682	\$ 185,682	\$ 296,182	\$ 299,357	\$ 264,007	\$ 212,007	\$ 322,507	\$ 325,682	\$ 290,332	\$ 238,332	\$ 238,332	

Prepared as at the 13 day of February, 2015

Purpose:

This Statement of Projected Cash Flow (the "Cash Flow") has been prepared by management pursuant to section 10(2)(a) of the *Companies' Creditors' Arrangement Act*. It is being filed specifically for the purposes contemplated in that section and readers are cautioned that it may not be appropriate for other purposes. The Cash Flow has been prepared based on the hypothetical and probable assumptions described in the general and specific notes. In addition the Cash Flow has been prepared based on assumptions regarding future events; therefore actual results may vary from the estimates presented herein and these variances may be material.

Encharis Community Housing and Services

Per: Kurt Robinson, Executive Director of Stewardship and Finance

Notes & Assumptions - General:

1. Unless otherwise stated, amounts are based on historical data and management estimates.
2. All amounts include applicable GST.

Notes & Assumptions - Specific:

1. ECHS leases land and buildings that they own within the development known as Prince of Peace to Encharis Management and Support Services ("EMSS"), a related entity. EMSS operates as the Prince of Peace Manor and Harbour, providing integrated supportive living services to seniors based on their assessed care needs. Monthly lease payments of \$86,500 are due on the 1st of each month from EMSS to ECHS with respect to this lease.
2. ECHS provides water and sewer services to EMSS, to the elementary school located in the POP Development and to residents of a condominium complex known as the "POP Village". All POP Village residents have their water payments paid by EFT on the first of the month. EMSS transfers the funds to ECHS during the first week of each month. The elementary school makes payments each month as funds are available.
3. The RV lot rentals are for POP Village residents only and are paid by EFT on the first of each month.
4. Monthly accounts payable average approximately \$90,000 per month.
5. Represents anticipated amounts payable to ECHS' legal counsel, the CCAA Monitor and other restructuring professionals providing assistance during the CCAA proceedings.
6. Includes amounts payable to Hill & Knowlton Strategies to assist in communications throughout the restructuring.
7. Includes payments related to the repair of roadways and the master-site plan approval process.

Schedule 7

Encharis Management and Support Services ("EMSS")
Statement of Projected Cash Flow
For the Fifteen Week Period Ending May 23, 2015

Week ending	14-Feb-15	21-Feb-15	28-Feb-15	7-Mar-15	14-Mar-15	21-Mar-15	28-Mar-15	4-Apr-15	11-Apr-15	18-Apr-15	25-Apr-15	2-May-15	9-May-15	16-May-15	23-May-15	Total	Notes
Receipts																	
Rent				\$ 430,000				\$ 430,000				\$ 430,000				\$ 1,290,000	1
Alberta Health Services ("AHS") funding				388,844				388,844				388,844				1,166,532	2
Wage recoveries		12,425				12,425			12,425						12,425	49,700	3
Miscellaneous revenue	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	30,000	4
Total receipts	2,000	14,425	2,000	820,844	2,000	14,425	2,000	820,844	2,000	14,425	2,000	820,844	2,000	2,000	14,425	2,536,232	
Disbursements																	
Payroll		(205,000)		(205,000)		(205,000)		(205,000)		(205,000)		(205,000)		(205,000)		(1,435,000)	5
RRSP's		(5,900)	(5,000)	(5,900)	(5,000)	(5,900)	(5,000)	(5,900)	(5,000)	(5,900)	(5,000)	(5,900)	(5,000)	(5,900)	(5,000)	(76,300)	
Health Benefits	(30,000)				(30,000)				(30,000)					(30,000)		(120,000)	6
Administrative expenses	(30,250)	(4,500)	(20,000)	(4,500)	(25,000)	(4,500)	(20,000)	(4,500)	(25,000)	(4,500)	(20,000)	(4,500)	(10,000)	(25,000)	(4,500)	(206,750)	
Food services expenses	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(9,250)	(138,750)	
Housekeeping expenses	(2,875)	(250)	(2,500)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(29,625)	
Healthcare expenses	(3,000)	(250)	(2,500)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(8,750)	
Maintenance expenses	(15,000)	(4,000)	(10,000)	(4,000)	(12,000)	(6,250)	(12,000)	(6,250)	(6,250)	(6,250)	(6,250)	(6,250)	(6,250)	(6,250)	(106,250)	(263,250)	7
Utility expenses		(2,500)		(40,000)	(15,000)	(2,500)	(10,000)	(40,000)	(15,000)	(2,500)	(10,000)	(40,000)	(15,000)	(2,500)	(10,000)	(205,000)	8
Diversicare	(22,000)			(22,000)				(22,000)					(86,500)			(259,500)	9
Lease payments				(86,500)				(86,500)							(13,000)	(126,750)	10
Restructuring fees		(33,250)	(45,000)			(22,500)				(3,000)	(13,000)			(3,000)		(12,000)	11
Communication fees			(3,000)			(3,000)				(10,000)			(10,000)			(70,000)	
Contingency		(10,000)		(10,000)		(10,000)		(10,000)								(3,039,675)	
Total disbursements	(112,375)	(274,900)	(97,250)	(389,400)	(98,500)	(271,150)	(58,500)	(391,650)	(92,750)	(268,650)	(65,750)	(283,150)	(186,250)	(299,150)	(150,250)	(3,039,675)	
Net cash flow	\$ (110,375)	\$ (260,475)	\$ (95,250)	\$ 431,444	\$ (96,500)	\$ (256,725)	\$ (56,500)	\$ 429,194	\$ (90,750)	\$ (254,225)	\$ (63,750)	\$ 537,694	\$ (184,250)	\$ (297,150)	\$ (135,825)	\$ (503,443)	
Cash on hand																	
Beginning balance	\$ 1,092,422	\$ 982,047	\$ 721,572	\$ 626,322	\$ 1,057,766	\$ 961,266	\$ 704,541	\$ 648,041	\$ 1,077,235	\$ 986,485	\$ 732,260	\$ 668,510	\$ 1,206,204	\$ 1,021,954	\$ 724,804	\$ 1,092,422	
Net cash flow	(110,375)	(260,475)	(95,250)	431,444	(96,500)	(256,725)	(56,500)	429,194	(90,750)	(254,225)	(63,750)	537,694	(184,250)	(297,150)	(135,825)	(503,443)	
Ending balance	\$ 982,047	\$ 721,572	\$ 626,322	\$ 1,057,766	\$ 961,266	\$ 704,541	\$ 648,041	\$ 1,077,235	\$ 986,485	\$ 732,260	\$ 668,510	\$ 1,206,204	\$ 1,021,954	\$ 724,804	\$ 588,979	\$ 588,979	

Prepared as at the 13 day of February, 2015

Purpose:

This Statement of Projected Cash Flow (the "Cash Flow") has been prepared by management pursuant to section 10(2)(a) of the *Companies' Creditors' Arrangement Act*. It is being filed specifically for the purposes contemplated in that section and readers are cautioned that it may not be appropriate for other purposes. The Cash Flow has been prepared based on the hypothetical and probable assumptions described in the general and specific notes. In addition, the Cash Flow has been prepared based on assumptions regarding future events; therefore actual results may vary from the estimates presented herein and these variances may be material.

Encharis Management and Support Services

Per: Kurt Robinson, Executive Director of Stewardship and Finance

Notes & Assumptions - General:

- Unless otherwise stated, amounts are based on historical data and management estimates.
- All amounts include applicable GST.
- EMSS holds security deposits for PAL and independent residents in a trust account. As at January 31, 2015, the balance held in that trust account was \$335,587.

Notes & Assumptions - Specific:

- Rents include all AHS beds, independent beds and small rental amounts for the drug store and hair salon.
- Annual funding revenue taken from the funding advice received from AHS on July 23, 2014.
- Wage recovery to EMSS for EMSS employees who also provide services to Encharis Community Housing and Services ("ECHS") and Shepherd's Village Ministries Ltd.
- Includes food services revenue, damage repair revenue and miscellaneous revenue (stamps, photocopying, etc.).
- Payroll is withdrawn every second Friday by ADP and includes Canada Revenue Agency payroll source deductions.
- Includes all administrative department expenses, contract accounting, contracted general manager, contracted pastor, WCB, information technology and cable.
- EMSS obtains water and sewer services from ECHS.
- A contract with an outside management group has been concluded with Diversicare Canada Management Services Co., Inc. ("Diversicare"), and operations of the Manor and Harbour have been taken over by Diversicare as at January 5, 2015.
- ECHS, a related entity, leases land and buildings that they own within the development known as Prince of Peace to EMSS. EMSS operates as the Prince of Peace Manor and Harbour, providing integrated supportive living services to seniors based on their assessed care needs. Monthly lease payments of \$86,500 are due on the 1st of each month from EMSS to ECHS with respect to this lease.
- Represents anticipated amounts payable to EMSS' legal counsel, the CCAA Monitor and other restructuring professionals providing assistance during the CCAA proceedings.
- Includes amounts payable to Hill & Knowlton Strategies to assist in communications throughout the restructuring.

Schedule 8

The Lutheran Church - Canada, The Alberta - British Columbia District including the Church Extension Fund
Variance Analysis
For the period from January 21 to February 7, 2015

	Forecast (F)	Actual (A)	Variance (A-F)	Notes
Cash flow from CEF operations				
Receipts				
Lease payments	\$ 28,000	\$ 30,518	\$ 2,518	1
Management fees from DIL	-	-	-	
Bank interest income	-	727	727	
Loan interest and principal payments	21,000	19,183	(1,817)	1
Total Receipts	49,000	50,428	1,428	
Disbursements				
Mortgage payments	(28,000)	(28,189)	(189)	
CEF salaries and benefits	-	(4,200)	(4,200)	1
Operating expenses	(18,000)	(16,521)	1,479	2
Emergency fund	(7,955)	(10,847)	(2,892)	1
Restructuring fees	(22,500)	(293,137)	(270,637)	3
Total disbursements	(76,455)	(352,894)	(276,439)	
Net cash flow from CEF operations	\$ (27,455)	\$ (302,466)	\$ (275,011)	
Cash flow from other District operations				
Receipts				
Wage recovery (Encharis Group)	2,500	9,500	7,000	4
Accounts receivable	-	25,100	25,100	
Mission remittances	30,000	18,332	(11,668)	5
Rental income	1,500	1,500	-	
Total receipts	34,000	54,433	20,433	
Disbursements				
Salaries and benefits	-	(21,407)	(21,407)	6
Administrative expenses, travel and utilities	(5,550)	(11,053)	(5,503)	1
Outreach operating expenses	(14,500)	(1,268)	13,232	7
Parish and school services operating expenses	(3,750)	-	3,750	7
Department of Stewardship and Financial Ministries operating expenses	(7,500)	-	7,500	7
President's expenses	(540)	-	540	1
Plant fund expenses	(2,250)	(320)	1,930	
Total disbursements	(34,090)	(34,049)	41	
Net cash flow from other District operations	(90)	20,384	20,474	
Total net cash flow	\$ (27,545)	\$ (282,082)	\$ (254,537)	
Cash and marketable securities on hand				
Beginning balance	\$ 6,341,731	\$ 6,492,622		8
US bank account balance		3,883		9
Changes in value of marketable securities		109,121		10
Total net cash flow	(27,545)	(282,082)		
Ending Balance as per bank & FI Capital	\$ 6,314,186	\$ 6,323,543		

The Lutheran Church - Canada, The Alberta - British Columbia District including the Church Extension Fund
Variance Analysis
For the period from January 21 to February 7, 2015

Notes:

1. Timing related variances, which are expected to reverse themselves in future weeks.
2. This permanent variance is due to larger than normal postage as a result of multiple mail-outs being issued to depositors to the church extension fund.
3. A negative variance related to the payment of restructuring fees. The Monitor previously understood that professional fees and expenses has been paid up to date as of the date of the Initial Order; however, Management has advised that cheques had not yet been issued for selected invoices from the pre-filing period for the Monitor, the Monitor's legal counsel and the District Group's legal counsel. The Monitor notes; however, that restructuring fees and expenses are being allocated among the Applicants, based on the percentage of time estimated as being dedicated to each entity. This allocation was not completed for the Variance Period but will be done as an adjustment to future payment of restructuring fees by the Applicants. As such a portion of the Restructuring Variance is timing related as it will be recovered from the other Applicants, based on the quantum allocated to them.
4. A positive variance was reported for wages recovered from EMSS, which were erroneously excluded from the original forecast.
5. A negative variance was reported due to mission remittances from congregations being lower than projected in the original forecast.
6. A negative variance was reported as a result of a payment due for the District employees' pension plan being erroneously excluded from the original forecast.
7. A permanent variance as a result of selected pre-filing amounts being erroneously included in the forecast.
8. Stop payments were issued on several outstanding cheques following the Initial Order being granted.
9. Converted at a rate of 1:2619 CAD = 1.00 USD
10. Represents increases in the value of the marketable securities held by FI capital over the forecast period.

Schedule 9

The Lutheran Church - Canada, The Alberta - British Columbia District Investments Ltd. ("DIL")
Variance Analysis
For the period from January 21 to February 7, 2015

	<u>Forecast (F)</u>	<u>Actual (A)</u>	<u>Variance (A-F)</u>	<u>Notes</u>
Receipts				
Loan payments	\$ 67,518	\$ 276,751	\$ 209,233	1
Bank interest income	-	222	222	2
Total receipts	<u>67,518</u>	<u>276,972</u>	<u>209,454</u>	
Disbursements				
Management fee	-	-	-	
Restructuring fees	(15,000)	-	15,000	2
Emergency fund	(20,000)	-	20,000	2
Annual minimum RRIF payments	(74,875)	(59,094)	15,781	3
Total disbursements	<u>(109,875)</u>	<u>(59,094)</u>	<u>50,781</u>	
Net cash flow	<u>\$ (42,357)</u>	<u>\$ 217,878</u>	<u>\$ 260,235</u>	
Cash and marketable securities on hand				
Beginning balance	\$ 17,763,583	\$ 17,759,739	\$ (3,844)	4
Changes in value of marketable securities		146,114	146,114	5
Net cash flow	(42,357)	217,878	260,235	
Ending balance	<u>\$17,721,226</u>	<u>\$ 18,123,731</u>	<u>\$ 402,505</u>	

Notes:

1. A permanent variance as a result of a loan being paid in full.
2. Timing related variances, which are expected to reverse themselves in future weeks.
3. A permanent variance as a result of a write-down in the value of the assets held by DIL being estimated prior to the required statutory annual minimum payments to RRIF holders being issued.
4. A permanent variance as a result of two outstanding cheques being erroneously excluded from the opening cash balance.
5. Represents increases in the value of the marketable securities held by FI capital over the forecast period.

Schedule 10

Encharis Community Housing and Services
Variance Analysis
For the period from January 21 to February 7, 2015

	Forecast (F)	Actual (A)	Variance (A-F)	Notes
Receipts				
Lease revenue	\$ 86,500	\$ 86,500	\$ -	
Water and sewage revenue	36,000	36,183	183	
RV lot rental	1,000	929	(71)	
Total receipts	123,500	123,612	112	
Disbursements				
Operating expenses	(57,000)	(50,104)	6,896	1
Restructuring fees	(15,000)	-	15,000	2
Contingency	(20,000)	-	20,000	2
Total disbursements	(92,000)	(50,104)	41,896	
Net cash flow	\$ 31,500	\$ 73,508	\$ 42,008	
Cash on hand				
Beginning balance	\$ 221,003	\$ 219,686	\$ (1,317)	3
Net cash flow	31,500	73,508	42,008	
Ending balance	\$ 252,503	\$ 293,194	\$ 40,691	

Notes:

1. A permanent variance as a result of selected pre-filing amounts being erroneously included in the forecast.
2. Timing related variances, which are expected to reverse themselves in future weeks.
3. A permanent variance as a result of an outstanding cheques being erroneously excluded from the opening cash balance.

Schedule 11

Encharis Management and Support Services
Variance Analysis
For the period from January 21 to February 7, 2015

	Forecast (F)	Actual (A)	Variance (A-F)	Notes
Receipts				
Rent	\$ 430,000	\$ 441,566	\$ 11,566	1
Alberta Health Services ("AHS") funding	388,844	388,844	-	
Wage recoveries	-	41,191	41,191	
Miscellaneous revenue	6,000	4,923	(1,077)	2
Total receipts	824,844	876,525	51,680	
Disbursements				
Payroll	(420,000)	(395,594)	24,406	3
RRSP's	(12,000)	(17,144)	(5,144)	3
Health benefits	-	-	-	
Administrative expenses	(41,625)	(58,771)	(17,146)	4
Food services expenses	(27,750)	(23,989)	3,761	5
Housekeeping expenses	(6,000)	(2,401)	3,599	5
Healthcare expenses	(750)	(1,219)	(469)	
Maintenance expenses	(18,750)	(1,156)	17,594	5
Utility expenses	(59,725)	(49,509)	10,216	5
Diversicare	(22,000)	-	22,000	2
Lease payments	(86,500)	(86,500)	-	
Restructuring fees	(22,500)	-	22,500	2
Contingency	(20,000)	-	20,000	2
Total disbursements	(737,600)	(636,283)	101,317	
Net cash flow	\$ 87,244	\$ 240,242	\$ 152,997	
Cash on hand				
Beginning Balance	\$ 777,343	\$ 853,181		6
Net cash flow	87,244	240,242		
Ending Balance	\$ 864,587	\$ 1,093,422		

Notes:

1. A positive variance in rents in the amount of \$11,566 was reflected due to a scheduled increase in the amount collected from AHS for beds in the Harbour and the Manor, which was not taken into account in the original forecast.
2. Timing related variances, which are expected to reverse themselves in future weeks.
3. A positive variance as a result of staff being reduced at the Harbour and the Manor. This was partially offset by a negative variance in employee RRSP contributions as a result of a scheduled increase in contribution rates.
4. A negative variance was reported in administrative expenses due to a required installment payment to the Workers' Compensation Board coming due, which was not included in the original forecast.
5. A permanent variance as a result of selected pre-filing amounts being erroneously included in the forecast.
6. Stop payments were issued on several outstanding cheques following the Initial Order being granted.