



COURT FILE NUMBER 1501-00955

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

DOCUMENT TWENTY-FOURTH 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 OCTOBER 17, 2016

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Counsel

**Cassels Brock & Blackwell LLP
Suite 1250, Millennium Tower
440 2nd Avenue SW
Calgary, Alberta T2P 5E9
Attention: Jeffrey Oliver**

**Telephone/ Facsimile: 403-351-2921/ 403-648-1151
Email: joliver@casselsbrock.com**

Monitor

**Deloitte Restructuring Inc.
700 Bankers Court, 850 – 2nd Street SW
Calgary, AB T2P 0R8
Attention: Jeff Keeble & Vanessa Allen**

**Telephone/Facsimile: 403-298-5955/ 403-718-3681
Email: jkeeble@deloitte.ca & vanallen@deloitte.ca**

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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 (the “Initial Order”) from the Court of Queen’s Bench of Alberta (the “Court”) 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. For clarity, the District includes the Church Extension Fund (“CEF”), which was originally created to allow District members to loan their money and earn interest in faith-based developments. CEF was operated under the purview of the District’s Department of Stewardship and Financial Ministries and was not created as a separate legal entity. As such, depositors to CEF are creditors of the District (the “District Depositors”). Depositors to DIL will be referred to as the “DIL Depositors”. The District Depositors and the DIL Depositors will collectively be referred to as the “Depositors”.
3. The Initial Order provided for an initial stay of proceedings (the “Stay”) until February 20, 2015. The Court has now granted nine extensions of the Stay. The most recent Order was granted at an application on September 2, 2016 (the “September 2 Hearing”) and extended the Stay until the earlier of December 31, 2016 or the date on which a Certificate of Plan Termination is filed signaling the completion of the District Plan, as subsequently defined (the “Extension”).
4. 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”). The Monitor subsequently filed the following reports:
 - 4.1. the First Report of the Monitor dated February 17, 2015;
 - 4.2. the Second Report of the Monitor dated March 23, 2015 (the “Second Report”);
 - 4.3. the Third Report of the Monitor dated June 16, 2015;
 - 4.4. the Fourth Report of the Monitor dated June 24, 2015 (the “Fourth Report”);
 - 4.5. the Fifth Report of the Monitor dated August 24, 2015 (the “Fifth Report”);
 - 4.6. the Sixth Report of the Monitor dated September 9, 2015;
 - 4.7. the Seventh Report of the Monitor dated October 20, 2015;

- 4.8. the Eighth Report of the Monitor dated October 30, 2015;
 - 4.9. the Ninth Report of the Monitor dated November 26, 2015;
 - 4.10. the Tenth Report of the Monitor dated December 22, 2015;
 - 4.11. the Eleventh Report of the Monitor dated January 11, 2016;
 - 4.12. the Twelfth Report of the Monitor dated January 27, 2016;
 - 4.13. the Thirteenth Report of the Monitor dated February 4, 2016;
 - 4.14. the Fourteenth Report of the Monitor dated February 18, 2016;
 - 4.15. the Fifteenth Report of the Monitor dated February 25, 2016 (the "Fifteenth Report");
 - 4.16. the Sixteenth Report of the Monitor dated March 14, 2016;
 - 4.17. the Seventeenth Report of the Monitor dated March 18, 2016 (the "Seventeenth Report");
 - 4.18. the Eighteenth Report of the Monitor dated April 25, 2016;
 - 4.19. the Nineteenth Report of the Monitor dated May 27, 2016;
 - 4.20. the Twentieth Report of the Monitor dated June 14, 2016;
 - 4.21. the Twenty-First Report of the Monitor dated July 7, 2016;
 - 4.22. the Twenty-Second Report of the Monitor dated July 12, 2016; and
 - 4.23. the Twenty-Third Report of the Monitor dated August 22, 2016 (together with the Pre-Filing Report, the reports listed in 4.1 to 4.23 will collectively be referred to as the "Reports").
5. The Monitor also filed a confidential supplement to the Second Report dated March 25, 2015, a confidential supplement to the Fourth Report dated June 25, 2015, a confidential supplement to the Fifth Report dated August 26, 2015, a confidential supplement to the Fifteenth Report dated February 26, 2016 and a Confidential Supplement to the Seventeenth Report dated March 18, 2016 (collectively the "Supplements"). The Supplements have been sealed by the Court.
 6. In addition to the Reports and the Supplements, the Monitor prepared a First Report to the Creditors of ECHS and EMSS dated November 10, 2015 (the "Encharis Report"), a First Report to the Creditors of DIL dated December 8, 2015 (the "DIL Report"), and a First Report to the Creditors of the District dated March 28, 2016 (the "District Report"). All of the Encharis Report, the DIL Report and the District Report were prepared for the purpose of providing creditors of the corresponding entities with specific information related to the respective plans of compromise and arrangement for ECHS, EMSS, DIL and the District (respectively the "ECHS Plan", the "EMSS Plan", the "DIL Plan" and the "District Plan", collectively the "Applicant Plans"), all as subsequently amended.
 7. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Reports and in the Supplements.

8. 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."

Notice to Reader

9. 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, the Applicant's Chief Restructuring Officer (the "CRO"), interested parties and stakeholders. The Monitor has not performed an independent review or audit of the information provided.
10. 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.
11. All amounts included herein are in Canadian dollars unless otherwise stated.

Court Applications

12. At the September 2 Hearing, the Court granted the Extension.
13. This report represents the Twenty-Fourth Report of the Monitor (the "Twenty-Fourth Report"). The Twenty-Fourth Report has been prepared to provide the Court with additional information in advance of a hearing scheduled for October 27, 2016 (the "October 27 Hearing") at which the following applications will be heard:
 - 13.1. An application by Shepherd of the Valley Lutheran Church ("SVLC", the "SVLC Application") seeking the following relief:
 - 13.1.1. A prohibition on the District from selling or marketing the lands municipally described as 1205 & 1209 1st Avenue and is legally described as:

PLAN 1095F
BLOCK 92
LOTS 18, 20, 22 AND 24
EXCEPTING THEREOUT ALL MINES AND MINERALS

(the "Canmore Property");
 - 13.1.2. A declaration that the agreement surrounding the SVLC advance (the "SVLC Advance") is a valid Agreement for Sale and that SVLC is entitled to the right to redeem title to the Canmore Property;
 - 13.1.3. In the alternative, a declaration that SVLC holds a valid mortgage at common law against the Canmore Property and that SVLC is entitled to a right to redeem title to the Canmore Property;
 - 13.1.4. A declaration that the outstanding balance of the SVLC Advance, including interest, is \$247,613.17 or such other amount as determined by the Court (the "Outstanding SVLC Advance");
 - 13.1.5. A declaration that upon payment of the Outstanding SVLC Advance by SVLC to the District, the Monitor shall immediately take such steps and execute all such deeds, documents and instruments as may be reasonably necessary to effect the transfer of the title of the Canmore Property from the District to SVLC, provided such payment is made within three months of the date SVLC is entitled to register the within Order against the Canmore Property;

- 13.1.6. In the alternative, a declaration that the District is estopped from denying that the SVLC is entitled to redeem the title to the Canmore Property upon payment of the Outstanding SVLC Advance; and
 - 13.1.7. A declaration that the District holds title to the Canmore Property on the basis of a constructive trust in favour of SVLC.
- 13.2. An application by the District to seal the Confidential Affidavit (the “Confidential Affidavit”) of Cameron Sherban sworn on September 28, 2016 (the “Sealing Application”), on the basis that it attaches an appraisal on the Canmore Property completed by Accumark Appraisals Ltd. effective June 3, 2015 (the “Canmore Appraisal”). The release of the Canmore Appraisal could compromise any future sale process that may be required for the Canmore Property.

Status of Applicant Plans

The District Plan

14. The District Plan was approved by the required majority of Eligible Affected Creditors and an Order sanctioning the District Plan was granted by the Court on August 2, 2016 (the “District Sanction Order”). The District Sanction Order was subject to a 21 day appeal period (the “Appeal Period”) and became effective immediately following the Appeal Period on August 23, 2016. The following outlines the steps that have been taken to date to implement the District Plan.

Distributions

15. As previously reported, correspondence including statements, dated between August 12 and August 16, 2016, were issued to creditors of the District with proven claims or disputed claims that have not yet been settled or adjudicated (the “Eligible Affected Creditors”) informing them that the District Sanction Order had been granted (subject to the Appeal Period) and further informing them of the quantum of two initial cash distributions (the “District Distributions”) that would be payable to them in the event that the District Sanction Order was not appealed and the District Plan became effective (the “Distribution Letters”). The Distribution Letters were tailored to individual groups of Eligible Affected Creditors depending on the nature of their claim (i.e. whether the Eligible Affected Creditor was an estate, a minor or resided outside of Canada and whether the Eligible Affected Creditor had a claim that was below or in excess of \$5,000). The Distribution Letters were sent by regular mail with all Distribution Letters being sent by August 18, 2016.

16. The District Distributions consisted of the following payments:

16.1. The lesser of \$5,000 or the total amount of each Eligible Affected Creditor’s proven claim (the “Convenience Payment(s)”). The Convenience Payments were made net of any amounts that were previously paid to Eligible Affected Creditors pursuant to the emergency fund implemented prior to the Filing Date and approved by the Court as part of the Initial Order (the “Emergency Fund”); and

16.2. A pro-rata share of cash generated by the sale of the District’s assets (the “Initial Cash Distribution(s)”), outside of the District’s mortgage on properties owned by ECHS within the development known as the Prince of Peace (the “Non-Core Assets”). The Initial Cash Distributions were also made net of any amounts that were previously paid to Eligible Affected Creditors pursuant to the Emergency Fund.

17. Approximately 1,654 Eligible Affected Creditors were paid in full by the Convenience Payments. Following the Convenience Payments having been issued, 988 Eligible Affected Creditors remain (the "Remaining Affected Creditors"). Pursuant to the Initial Cash Distributions and taking into account payments made pursuant to the Emergency Fund, Remaining Affected Creditors have received distributions totalling approximately 12% of their proven claims after deducting the Convenience Payments.
18. As set out in the Distribution Letters, the following distributions will be made to Remaining Affected Creditors in the future:
 - 18.1. Cash distribution(s) from the proceeds of the remaining Non-Core Assets, which include cash and marketable securities, selected unsecured loans, any recovery from a guarantee from Shepherd of the Valley Ministries Ltd. granted in favour of the District, a property in Strathmore, Alberta, a property in Elkford, British Columbia and a mortgage on a property in Fort McMurray, Alberta. Pursuant to the District Plan, distributions are to be made each time the quantum of funds held in trust reaches \$3.0 million net of applicable holdbacks; and
 - 18.2. A distribution in the form of NewCo Shares. The Monitor notes that Remaining Affected Creditors who reside outside of Canada will receive a further cash distribution based on a discounted value for the NewCo Shares in lieu of the NewCo Shares, as further set out in the District Plan.

Formation of NewCo

19. The District has implemented the tax structured transaction contemplated in the District Plan pursuant to which shares (the "NewCo Shares") in a new company ("NewCo") will be issued to Remaining Affected Creditors (the "NewCo Transaction"). To date, the following steps have been implemented in respect of the NewCo Transaction:
 - 19.1. NewCo has been incorporated;
 - 19.2. NewCo's board of directors (the "NewCo Board") has been formed and includes three District Depositors or their nominees being Mr. Harvey Schott, Ms. Sandra Jory (also a member of the District Committee) and Mr. Stephen Nielsen. The NewCo Board also includes Lisa Van Hemert, Scott McCorquodale and Monica Kohlhammer. Scott McCorquodale is also part of NewCo's management team (the "NewCo Management"), and his qualifications are outlined below;
 - 19.3. NewCo Management has been retained and includes Scott McCorquodale, who has over 20 years of commercial real estate experience, and Tony Chin, who has expertise in accounting, tax and financing for private companies. The Monitor has been advised that the compensation payable to NewCo Management is expected to be determined by a compensation consultant along with a compensation committee to be formed by the NewCo Board;

- 19.4. The properties owned by ECHS within the development known as the Prince of Peace, including the Harbour and Manor seniors' care facilities and the Prince of Peace Church and School (the "Prince of Peace Properties"), are expected to be transferred to NewCo effective October 31, 2016;
 - 19.5. The operations of the Harbour and Manor seniors' care facilities and the Prince of Peace Church and School are in the process of being transitioned to NewCo;
 - 19.6. Selected assets held by ECHS, including working capital, computer hardware, equipment, furniture and fixtures and a water treatment plant, are expected to be transferred to NewCo effective October 31, 2016;
 - 19.7. Selected assets held by EMSS, including working capital, furniture and fixtures, computer equipment, medical equipment and a vehicle, are expected to be transferred to NewCo effective October 31, 2016;
 - 19.8. Contracts between ECHS or EMSS and Alberta Health Services, the Rocky View School Division and Verve are in the process of being assigned to NewCo; and
 - 19.9. Deloitte completed a proposed valuation of the NewCo Shares as set out in paragraphs 20 to 22 of the District Report (the "Proposed Share Valuation"). Ernst & Young LLP was retained by the District Committee for the purpose of reviewing the Proposed Share Valuation and providing a report to legal counsel for the District Committee outlining their views of the Proposed Share Valuation (the "Third Party Report"). The Monitor and the District Committee, with the benefit of the Third-Party Report, have agreed upon the valuation of the NewCo Shares (the "Final Share Valuation"), subject to what are expected to be minor adjustments based on the actual closing date. The Final Share Valuation will be disclosed to the Remaining Affected Creditors when it is finalized. The Monitor notes that distributions of NewCo Shares are being made net of any amounts that were previously paid to Remaining Affected Creditors pursuant to the Emergency Fund.
20. The Monitor continues to anticipate that the NewCo Shares will be issued shortly after the October 31, 2016 effective date.

The DIL Plan

21. The DIL Plan was approved by the required majority of DIL Depositors and an Order sanctioning the DIL Plan was granted by the Court on August 2, 2016 (the "DIL Sanction Order"). The DIL Sanction Order was subject to the Appeal Period but became effective on August 23, 2016, immediately following the Appeal Period.

Distributions

22. As previously reported, pursuant to an Order granted on August 28, 2015 and amended on November 5, 2015 and an Order granted on April 27, 2016, interim distributions totalling \$22.0 million have been

released to DIL Depositors (the “DIL Distributions”). These distributions include payments made to DIL Depositors pursuant to the Emergency Fund and required annual minimum payments to holders of registered retirement income funds and locked in income funds. DIL Depositors have received distributions totalling approximately 61% of their original investments as recorded in DIL’s books and records on the Filing Date.

23. The most valuable remaining asset held by DIL is a loan (the “Kelowna Loan”) due from a congregation in Kelowna, British Columbia (the “Kelowna Congregation”) which is secured by a registered mortgage on the property that houses the Kelowna Congregation (the “Kelowna Property”). The Monitor understands that DIL is in the process of commencing foreclosure proceedings with respect to the Kelowna Property. The Monitor does not anticipate that any further distributions will be made to DIL Depositors until such time as the Kelowna Loan can be realized upon.

The Subcommittee Processes

24. On August 2, 2016, Orders were granted approving a process for each of the District and DIL (respectively the “District Subcommittee Process” and the “DIL Subcommittee Process”, collectively the “Subcommittee Processes”) whereby a subcommittee of District Depositors and a subcommittee of DIL Depositors (respectively the “District Subcommittee” and the “DIL Subcommittee”) would be appointed to represent the participating District Depositors and the DIL Depositors in legal action(s) (respectively the “District Representative Action” and the “DIL Representative Action”) that may be undertaken by way of class proceedings or otherwise.

25. The District Subcommittee has been formed and includes the following individuals:

- 25.1. Georg Beinert;
- 25.2. Judy Kruse;
- 25.3. Laurie Schutz;
- 25.4. William Mulder; and
- 25.5. Wylie Hertlein.

26. The DIL Subcommittee has also been formed and includes the following individuals:

- 26.1. Reid Glenn;
- 26.2. Holly Drinkle; and
- 26.3. Marylin Huber.

27. The Monitor is advised that the District Subcommittee and DIL Subcommittee are in the process of finalizing the selection process for legal counsel to represent participating District Depositors and DIL Depositors in the District Representative Action (the “District Representative Counsel” and the “DIL Representative Counsel”, respectively).

28. Prior to the commencement of the District and DIL Representative Actions, the Monitor understands that legal counsel for the District Committee and the DIL Committee will issue correspondence to the District Depositors and DIL Depositors, who have not yet opted out of the District Representative Action and the DIL Representative Action, that is expected to include the following information:
- 28.1. The name of the members of the District Subcommittee and DIL Subcommittee;
 - 28.2. The name of the District Representative Counsel and the DIL Representative Counsel;
 - 28.3. The estimated amount of the respective holdbacks to fund the out-of-pocket costs associated with the District and DIL Representative Actions and to indemnify any Depositor, who may be appointed as a representative plaintiff in the District or DIL Representative Action, including a range for individual District Depositors and DIL Depositors;
 - 28.4. The commencement date of the District Representative Action and the DIL Representative Action; and
 - 28.5. The deadline for opting out of the District Representative Action and the DIL Representative Actions and instructions on how to do so.

The ECHS and EMSS Plans

29. As noted above, all of the ECHS Assets, EMSS Assets and ECHS' and EMSS' operations are expected to be transferred to NewCo effective October 31, 2016. The Monitor notes that ECHS and EMSS continue to hold funds in trust to satisfy outstanding trade creditor claims incurred after the Filing Date and to satisfy the professional fees and disbursements of the Monitor, the Monitor's legal counsel and ECHS' and EMSS' legal counsel required to complete the administration of the CCAA proceedings (the "Restructuring Claims"). Should ECHS or EMSS have additional funds beyond what is required to satisfy the Restructuring Claims, ECHS and EMSS will remit these funds to NewCo.
30. The Monitor will file Certificates of Plan Termination stating that it has completed all of its duties under the ECHS and EMSS Plans shortly after the issuance of NewCo shares to Affected Creditors. The Monitor will then have been deemed to have been discharged of its duties as Monitor of ECHS and EMSS pursuant to the ECHS and EMSS Plans.

The SVLC Application

Background

31. The Monitor is advised by the District that in the 1980's the District provided the SVLC Advance to SVLC for the purpose of purchasing a portion of the Canmore Lands pursuant to an agreement (the "SVLC Agreement"). With that advance, SVLC purchased a portion of the Canmore Property (namely Lots 18, 20 and 22) in the 1980's. In June 1993, SVLC became the registered owner of an additional portion of the Canmore Lands (namely Lot 24). In July 1992, discussions took place between the District and the SVLC with respect to obtaining financing to build a church on the Canmore Property (the "SVLC Church"). Thereafter, in December 1993, SVLC and the District executed a lease agreement (the "1993 Lease") whereby title to the Canmore Property was transferred from the SVLC to the District and an amount was advanced from the District through the SVLC Advance. As at the Filing Date, the Outstanding SVLC Advance was approximately \$246,200. The 1993 Lease was renewed up until its expiration on December 30, 2004. The Monitor has not been provided with a current lease.
32. The Monitor understands that approximately \$462,400 was paid in respect of interest on the SVLC Advance (the "SVLC Interest") between April 1994 and the Filing Date (the "Advance Period"). The District has advised that SVLC was often unable to pay the SVLC Interest. As such, SVLC sought and received financial support from the District's outreach department, which made funding available to eligible congregations from mission remittances collected from the District's member congregations. Of the \$462,400 paid for the SVLC Interest during the Advance Period, approximately \$445,400, or 96%, was paid through the District's outreach department and approximately \$17,000, or 4%, was paid by SVLC directly. SVLC was also responsible for paying property taxes, insurance and maintenance in respect of the Canmore Property, however, the District has advised that they paid the property taxes on the Canmore Property in 2015 and 2016. SVLC has taken the position that the District refused to accept any payments on the SVLC Advance past March 2016.
33. As previously reported, SVLC has made a claim for adverse possession or other interest in the Canmore Property (the "SVLC Claim"). In addition, SVLC has taken the position that the advance/ lease arrangement between SVLC and the District may be a mortgage and that the relationship between the District and SVLC may be one of mortgagee/ mortgagor. The Monitor, in conjunction with their legal counsel, reviewed the SVLC Claim and additionally reviewed whether the sale of the Canmore Property should discharge the SVLC Advance.

The SVLC Claim

34. The Monitor notes as follows with respect to the SVLC Claim:

- 34.1. The District is the registered owner of the Canmore Property and has been since 1994;
- 34.2. The SVLC Agreement is undocumented with the exception of the 1993 Lease and its renewals. As such, the only contemporaneous evidence to support SVLC's position as to the intention of the SVLC Agreement and the rights and obligations of each SVLC and the District is certain correspondence between the parties;
- 34.3. If the relationship between the District and SVLC was, as suggested by SVLC, one of mortgagee and mortgagor, SVLC's inability to service the SVLC Advance may have resulted in events of default which may have allowed the District to retain title to the Canmore Property;
- 34.4. The 1993 Lease provided in support of the SVLC Claim suggests that the SVLC Agreement contemplated that SVLC would be entitled to repurchase the Canmore Property upon repayment of the outstanding balance of the SVLC Advance (the "Option to Purchase"). The Option to Purchase clause in the 1993 Lease reads as follows:

The Lessee shall have the option, upon the full payment of all indebtedness to the Lessor, to purchase the demised land and original building at a price established on the basis of an independent appraisal or the ABC District's purchase price of the demised land plus original building plus out-of-pocket expenses relative to the demised land plus not more than ten (10) percent per annum. At no time will the purchase price be less than the price paid by the Lessor for the demised land and original building (...)

The wording of the Option to Purchase suggests that SVLC would have the option to purchase the Canmore Property only after full satisfaction of all indebtedness to the District. If the Option to Purchase were exercised, the purchase price would be (i) the amount determined by an independent appraisal; or (ii) the purchase price paid by the District plus certain expenses plus not more than ten (10) percent per annum;

- 34.5. The assessed value of the Canmore Property in 2016 was approximately \$1.1 million as per the Town of Canmore 2016 Combined Tax Notice (the "Canmore Assessment"). While the Monitor recognizes that the value of the Canmore Property may fluctuate over time, based on the Canmore Appraisal and the Canmore Assessment, should the SVLC Application be successful and SVLC become the owner of the Canmore Property, they will experience a significant windfall in excess of their contribution to the Canmore Property. As the District is the registered owner of the Canmore Property and as, should the SVLC Application be unsuccessful, the Canmore Property will be sold and realized on for the benefit of the Remaining Affected Creditors, this windfall would arguably be at the expense of the Remaining Affected Creditors;

- 34.6. The Monitor understands that it would be SVLC's intention to seek replacement financing to repay the SVLC Advance (the "Replacement Loan") and to retain the Canmore Property. Should SVLC do so and then be unable to meet the obligations under the Replacement Loan, it could put SVLC in a position where they would be forced to sell the Canmore Property in any event; and
- 34.7. SVLC's bylaws contain certain provisions, common in the constitutions of District congregations that indicate that, should a congregation disband, their assets will revert back to the District. As previously reported, the Monitor, in conjunction with their legal counsel, has reviewed an example of the referenced provisions and is of the view that they do not afford the District with any legally enforceable rights with respect to independently-owned assets of District congregations. Having said that, should the SVLC Application be successful and then SVLC subsequently disband SVLC's assets may revert back to the District in the future.
35. Throughout the CCAA proceedings, the following two claims, which are similar to the SVLC Claim were settled such that they did not result in a windfall for the corresponding congregations:
- 35.1. The King of Kings Lutheran Church ("King of Kings") held a similar claim (the "King of Kings Claim") in respect of the property in St. Albert, Alberta (the "King of Kings Property") which housed their congregation. The King of Kings Property was owned by the District. The King of Kings Claim was settled such that King of Kings disbanded and the King of Kings Property was sold. A loan due to the District from King of Kings was considered as paid in full upon the sale of the King of Kings Property; and
- 35.2. The Concordia Lutheran Church ("Concordia") in Edmonton, Alberta held a similar claim (the "Concordia Claim") in respect of a building and leasehold interest on a property in Edmonton, Alberta (the "Concordia Interest"). The Concordia Claim was settled such that the Concordia Interest was transferred to Concordia upon the corresponding loan (the "Concordia Loan") being paid in full following information being provided to suggest that the value of the Concordia Interest was not significantly in excess of the value of the Concordia Loan.
36. The Monitor is opposed to the SVLC Application on the following basis:
- 36.1. The SVLC's position is not, in the view of the Monitor, supported by the evidence filed by the parties. As previously stated, the SVLC Agreement is undocumented, with the exception of the 1993 Lease, which provides for a specific method to address the purchase of the Canmore Property. As such, there is uncertainty as to the intention of the SVLC Agreement and the rights and obligations of each of SVLC and the District pursuant to the SVLC Agreement. Further, since the 1993 Lease expired at the end of 2004 the legal arrangement between the parties from 2004 to the date of this report is unclear;
- 36.2. The District is the registered owner of the Canmore Property;

- 36.3. It would not, in the view of the Monitor, be equitable for the SVLC Claim to be resolved in a fashion that resulted in a windfall for SVLC at the expense of the Remaining Eligible Affected Creditors;
 - 36.4. The District made the majority of the payments in relation to the Canmore Property;
 - 36.5. It would not be equitable for the SVLC Claim to be settled such that it resulted in a significantly improved recovery for SVLC compared to other congregations who had advanced claims similar to the SVLC Claim during the CCAA proceedings; and
 - 36.6. SVLC does not appear to have sufficient financial resources to meet the obligations under the SVLC Advance and may not have sufficient financial resources to meet their obligations under the Replacement Loan, which could result in them having to sell the Canmore Property in the future.
37. The Monitor has previously communicated to both the District and SVLC that they would be supportive of the SVLC Claim being settled such that either the SVLC Advance was discharged upon the sale of the Canmore Property or the Canmore Property was sold and the sale proceeds were split on a reasoned basis between the District and SVLC. The Monitor would be supportive of such a settlement or resolution to this issue on the following basis:
- 37.1. This type of settlement would likely balance SVLC's rights pursuant to the SVLC Agreement against those of the Remaining Eligible Affected Creditors;
 - 37.2. SVLC may receive net sale proceeds from the disposition of the Canmore Property in excess of the SVLC Advance, which may enable them to secure another location suitable for their congregation;
 - 37.3. This type of settlement would be consistent with settlements that have been entered into during the CCAA proceedings with other congregations with claims similar to the SVLC Claim; and
 - 37.4. The District Committee has previously expressed support of this type of settlement.

Conclusion

38. The Monitor is opposed to the SVLC Application for the reasons outlined herein.
39. The Monitor is supportive of the LCC Application for the Reasons outlined herein.
40. The Monitor is supportive of the Sealing Application and is of the view that the Sealing Application is necessary in order to avoid compromising any future sale process that may be required in respect of the Canmore Property.

DELOITTE RESTRUCTURING INC.,

In its capacity as 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, LIT, CBV
Senior Vice-President