



Church Extension Fund

Michigan District of
The Lutheran Church—Missouri Synod

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Ann Arbor, Michigan 48105-3098

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THESE SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE ISSUER. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

(CONTINUED ON NEXT PAGE)

THIS OFFER IS SUBJECT TO CERTAIN RISK FACTORS AS DESCRIBED ON PAGE 5 HEREIN.

CEF INVESTMENTS ARE NOT SIPC OR FDIC INSURED DEPOSIT ACCOUNTS.

APPLICATION FOR INVESTMENT FOUND ON LAST PAGES OF THIS OFFERING CIRCULAR.

OFFERING CIRCULAR

The date of this Offering Circular is May 1, 2011
(Intended to be used by investors from May 1, 2011 until April 30, 2012)

Seventy-five Million, (\$75,000,000) of unsecured investment obligations of varying interest rates. The aggregate amount of the securities being offered may be sold in any one of the following categories:

SAVING STAMPS

Cost \$.25 & \$1.00
Amount \$130,000

INVESTMENT INSTRUMENTS

Dedicated Savings Certificate

Minimum initial investment \$5.00
Interest Rate: A variable interest rate set and adjusted monthly, based on an index and the amount of the investment, with a maximum of 10%, as described on page 12.

Fixed Rate Note

Term	Minimum Investment
3 Months (up to 6 Months)	\$500
6 Months (up to 12 Months)	\$500
12 Months (up to 24 Months)	\$500
24 Months (up to 60 Months)	\$500
60 Months	\$500

Interest Rate: A fixed interest rate, based on an index with a maximum of 10%, as described on page 12.

Fixed Rate 2 + 2 Note

Term	Minimum Investment
17 Months	\$2,500

Interest Rate: A fixed interest rate, based on an index with a maximum of 10%, as described on page 12.

Variable Rate Note

Term	Minimum Investment
1 Year Term	\$500
2 ½ Year Term	\$500
5 Year Term	\$500

Interest Rate: A variable interest rate set and adjusted quarterly, based on an index with a maximum of 10%, as described on page 13.

Step-Up Rate Note

Term	Minimum Investment
2 Years	\$500

Interest Rate: A fixed rate of interest for six month intervals, "stepping up" to a higher rate each succeeding six months, with a maximum of 10%, as described on page 13.

Growth Note

Term: 6-20 Year Maturities

Minimum Investment: The minimum required investment for each term is equal to the amount required to attain \$1,000 at maturity. Interest Rate: A fixed rate set monthly with a maximum of 10%, as described on page 13.

ExtensionPlus Account Certificates

A demand Certificate accessible with check writing privileges and an optional debit/ATM card.
Minimum initial investment \$100
Interest Rate: A variable interest rate set and adjusted monthly, based on an index and the amount of investment, with a maximum of 10%, as described on page 13.

CONGREGATION AND ORGANIZATION INVESTMENT INSTRUMENTS

Variable Rate Certificate

Term	Minimum Investment
1, 2 or 5 Year Term	\$500

Interest Rate: A variable interest rate set and adjusted quarterly, based on an index with a maximum of 10%, as described on page 14.

Fixed Rate Note

Term	Minimum Investment
1, 2 or 5 Year Term	\$500

Interest Rate: A fixed interest rate for the term of the Note, based on an index with a maximum of 10%, as described on page 14.

Demand Savings Certificate

Minimum Investment \$500
Interest Rate: a variable interest rate set and adjusted monthly based on an index, with a maximum of 10%, as described on page 14.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.

THE NOTES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE NOTES IS DEPENDENT UPON THE ISSUER'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE ISSUER'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE NOTES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE MICHIGAN DISTRICT OF THE LUTHERAN CHURCH-MISSOURI SYNOD, OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE LUTHERAN CHURCH-MISSOURI SYNOD.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY THE CHURCH EXTENSION FUND.

PLEASE NOTE THESE ADDITIONAL STATE-SPECIFIC DISCLOSURES.

MICHIGAN RESIDENTS

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH, OFFICE OF FINANCIAL AND INSURANCE REGULATION (OFIR). NEITHER THE OFIR NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FLORIDA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER CHAPTER 517.051(9), FLORIDA STATUTES. THE CHURCH EXTENSION FUND IS REGISTERED WITH THE DEPARTMENT OF BANKING AND FINANCE AS AN ISSUER/DEALER. OFFERS AND SALES OF THESE SECURITIES WILL BE MADE ONLY THROUGH REPRESENTATIVES OF THE CHURCH EXTENSION FUND REGISTERED WITH THE DEPARTMENT OF BANKING AND FINANCE AS ASSOCIATED PERSONS OF THE CHURCH EXTENSION FUND.

INDIANA RESIDENTS

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

ILLINOIS RESIDENTS

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

OHIO RESIDENTS

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED AS AN INVESTMENT FOR ANY OHIO RESIDENT BY THE OHIO DIVISION OF SECURITIES, NOR HAS THE DIVISION PASSED UPON THE ACCURACY OF THE OFFERING CIRCULAR.

LIMITED CLASS OF INVESTORS

THE OFFER AND SALE OF THE NOTES IS LIMITED TO i) PERSONS WHO, PRIOR TO RECEIPT OF THIS CIRCULAR, WERE MEMBERS OF, CONTRIBUTORS TO, OR PARTICIPANTS IN THE LUTHERAN CHURCH—MISSOURI SYNOD, INCLUDING ANY DISTRICT OR OTHER PROGRAM, ACTIVITY OR ORGANIZATION WHICH CONSTITUTES A PART OF THE SYNOD OR ANY OF ITS DISTRICTS, OR ANY CONGREGATION OF THE SYNOD, OR OTHER PERSONS WHO ARE ANCESTORS, DESCENDANTS, OR SUCCESSORS IN INTEREST TO SUCH PERSONS (“INDIVIDUAL INVESTORS”), ii) CONGREGATIONS, ASSOCIATIONS OF MEMBER CONGREGATIONS, EARLY CHILDHOOD CENTERS, ELEMENTARY AND SECONDARY SCHOOLS, RECOGNIZED SERVICE ORGANIZATIONS, AND OTHER ORGANIZATIONS AFFILIATED WITH THE SYNOD OTHER THAN SYNODICAL CORPORATIONS AND OTHER ORGANIZATIONS WHOSE PURPOSES INCLUDE SERVING MEMBERS OF THE LUTHERAN FAITH OR TO CARRY OUT THE PURPOSES OF THE LUTHERAN CHURCH—MISSOURI SYNOD (“ORGANIZATIONAL INVESTORS”), OR iii) SYNODICAL CORPORATIONS AND/OR ANY PERSON OR ORGANIZATION WHEN ACTING IN A FIDUCIARY CAPACITY FOR INDIVIDUAL INVESTORS (“CUSTODIAL INVESTORS”). INDIVIDUAL INVESTORS AND ORGANIZATIONAL INVESTORS AND CUSTODIAL INVESTORS ARE HEREINAFTER COLLECTIVELY REFERRED TO AS “INVESTORS”. ANY FIDUCIARY FOR AN INDIVIDUAL INVESTOR OTHER THAN A CUSTODIAL INVESTOR SHALL BE DEEMED TO BE AN INDIVIDUAL INVESTOR.

THERE WILL BE NO COMMISSIONS OR DISCOUNTS PAID IN CONNECTION WITH THIS ANTICIPATED OFFERING OF \$75,000,000. CHURCH EXTENSION FUND WILL RECEIVE 100% OF THE PROCEEDS FROM THE SALE(S) AND WILL BEAR ALL EXPENSES INCIDENT TO THIS OFFERING, INCLUDING SECURITIES REGISTRATION FEES, PRINTING, MAILINGS, ACCOUNTING FEES, AND ATTORNEY FEES, ESTIMATED TO BE LESS THAN \$50,000.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

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SUMMARY OF OFFERING

This Summary is being provided for the convenience of potential investors and contains selected information. It does not contain all the information a person should consider before investing. Therefore, this should be read in conjunction with the more complete information in the Offering Circular, including the audited financial statements.

Operational Summary

1. The Church Extension Fund (CEF) of the Michigan District of the Lutheran Church–Missouri Synod, with its principal office located at 3773 Geddes Road, Ann Arbor, MI 48105, is a Michigan Church Trustee Corporation. It was incorporated on June 18, 1901 as a Board of Trustees to “take, hold, invest, sell and otherwise manage and control property” of the Michigan District of the Lutheran Church–Missouri Synod.

2. The Fund is a not-for-profit corporation and is currently exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code as part of a group tax exemption for the Lutheran Church–Missouri Synod.

3. The Church Extension Fund provides loans and funds as permitted in its Bylaws, including to such entities as member congregations of the District, the District itself, and associations qualifying as Lutheran Church–Missouri Synod recognized service organizations located in Michigan. Loans may be extended for purposes set forth in the Bylaws, such as loans for capital expansion, renovation, equipment, operating, housing and projects which contribute to the ministry of the Michigan District and its member congregations. A complete presentation regarding “use of proceeds” is presented on pages 6 & 7.

4. Each investor is entitled to receive a complete Offering Circular before making a decision to invest or reinvest. Copies can be obtained at the Church Extension Fund office or at local congregations of the Michigan District of the Lutheran Church–Missouri Synod.

5. Notes offered through this Offering Circular bear either fixed or variable (floating) interest rates and have maturities ranging from ninety (90) days to twenty (20) years. Interest payable on such Notes is taxable to the Investor (other than for IRAs or other Tax-Deferred Plans) in the year in which paid or credited to the Investor’s account. As more fully described in the “Description of Notes,” upon the expiration of the Note’s term, Investors may provide for any fixed or variable rate term Note to be extended for a continuous term equal to the original term at the then current interest rate.

6. Investments offered by the Church Extension Fund are unsecured and are not SIPC or FDIC insured deposit accounts. Investors will be dependent upon the general financial condition of the Church Extension Fund for repayment of principal and interest.

7. The Church Extension Fund has a substantial portion of its loans outstanding to congregations and other Lutheran Church–Missouri Synod member-based organizations. The ability of each such borrower to repay its loan will generally depend on the amount of contributions it receives from its members. The number of members of each such organization and the per capita contribution has fluctuated in the past and will continue to fluctuate. The collateral value of such loans generally consist of properties used for church, charitable, or educational purposes and may not have a market value equal to the loan amounts.

8. Church Extension Fund maintains investment portfolios until funds are disbursed for new loans and to provide resources for operations and for liability payments. Assets invested in readily marketable securities are subject to various market risks. The value of the investments is based on quoted market prices, and investment losses will result from a drop in market prices.

9. Securities of the Church Extension Fund of the Michigan District should not be confused with those offered by the national church organization, the Lutheran Church Extension Fund–Missouri Synod headquartered in St. Louis, Missouri. Potential investors should consult the Offering Circulars of the Church Extension Fund of the Michigan District and the Lutheran Church Extension Fund–Missouri Synod independently. Neither organization underwrites, or is financially involved in, the security offerings of the other.

Financial Summary

Selected financial data for the past five years, together with management’s comments and analysis, may be found on pages 11 & 12. For the most recent fiscal year ended December 31, 2010, the financial data is as follows:

Cash, Cash Equivalents and	
Marketable Securities	\$ 71,964,907
Loans Receivable	\$196,270,068
Unsecured Loans Receivable	\$ 308,293
% of Unsecured Loans Receivable	0.20%
Loans Delinquent in Excess of 90 Days	3.25%
Total Assets	\$273,982,475
Notes Payable	\$226,260,834
Amount of Notes Redeemed in 2010	\$ 43,980,741
Other Long Term Debt	\$ 0
Net Assets	\$ 47,695,970
Change in Net Assets	\$ 3,448,968



Church Extension Fund

800-242-3944 www.mi-cef.org

RISK FACTORS

A. Unsecured and Uninsured Investments

The evidences of indebtedness to be issued pursuant to this offering are unsecured obligations of the Church Extension Fund and not secured by specific loans to specific borrowers. They are not SIPC or FDIC insured deposit accounts. The repayment of the principal and interest thereon is dependent solely upon the financial condition of the issuer.

B. No Sinking Fund or Trust Indenture

There is no sinking fund or trust indenture that has been or will be established to ensure or secure the repayment of the Notes.

C. Ranking and Priority

The instruments issued hereunder are not now subordinated to any other securities issued by the Church Extension Fund. There will also be subsequent issues of securities which, when issued, will have equal rank with securities heretofore issued and those issued hereunder. The amount of any senior secured indebtedness to which the Notes are or will be subordinated shall not exceed ten percent (10%) of the tangible assets of the Church Extension Fund.

D. No Market

There is no market for the securities and there is no assurance that a market will develop. Consequently, investors may not be able to resell any securities purchased. However, the practice and policy of the Church Extension Fund has been to honor requests for early redemption, as set forth below in connection with the "Description of Notes".

E. No Guarantees to Repay

The Church Extension Fund has suffered no financial losses in the past decade which have caused the operating expense to exceed the operating income of the Fund. Historically, Church Extension Fund has been able to make payments of principal and interest on the Notes when due. No guarantee or representation is made for future financial conditions and abilities to repay Notes.

F. Liquid Funds (Reserves)

A cash-and-liquid funds (reserve) equal to ten percent (10%) of the total Notes outstanding is maintained for the payment of interest and redemption of Notes. Assets invested in readily marketable securities are subject to various market risks which may result in losses if market values of investments decline.

G. Tax Consequences

There are no income tax benefits with respect to investing in the Notes. Interest paid or payable on the Notes will be taxable as ordinary income to an investor, regardless of whether the interest is paid out or retained and compounded.

H. Loans Outstanding

Church Extension Fund has the vast majority of its loan portfolio outstanding to congregations of the Michigan District of the Lutheran Church–Missouri Synod, all concentrated within the geographic boundaries of the State of Michigan. The ability of each borrowing congregation or organization to repay its loan will generally depend upon the amount of contributions it receives from its members. The number of members of each congregation and the per capita contribution has fluctuated in the past and will continue to fluctuate. To the extent that a congregation or organization granted a loan experiences a decrease in revenues, payments on the loan may be affected adversely.

I. Loan Policy

The Church Extension Fund was and is incorporated under the laws of the State of Michigan as a "Church Trustee Corporation" and, as such, was organized for the primary benefit of the member congregations of the Michigan District of the Lutheran Church–Missouri Synod. The relationship of the Church Extension Fund cannot be compared to that of a commercial lender. In view of its relationship to its borrowers, Church Extension Fund may be willing to accept partial, deferred or late payments. Loans and funds made available to member congregations may be at interest rates and terms not generally offered by traditional commercial lenders. Loans are primarily secured with church and school properties which are considered "special purpose uses", and may have limited market value in the event of a forced sale or foreclosure.

J. Changes in Law

Changes in the Federal or State laws may make it more difficult or costly to offer and sell Notes in the future. Church Extension Fund does not anticipate that the continued sale of its Notes will be necessary to service its Notes. However, a decrease in the sales of its Notes could affect the ability to meet such obligations if it did become necessary to rely on these sales.

K. Activities

The Church Extension Fund Board of Trustees administers and operates what is commonly known throughout the Michigan District as the "Church Extension Fund".

Moneys received by the Church Extension Fund from the sale of its unsecured evidences of indebtedness are used to make funds available for purposes allowed in its Bylaws, including capital expansion and ministry purposes. Loans are generally secured by a mortgage on the real property of the borrower.

The Church Extension Fund also purchases and holds a number of advance mission sites, which are properties to be utilized in the future as sites for new and/or expanding congregations. From time to time, properties considered to be in excess inventory or without anticipated use are disposed. No property sales have occurred in the past decade that yielded less than the original purchase price.

There are no other activities of the Church Extension Fund other than the operations described within this Offering Circular which we anticipate would have a material financial impact on the operation of the Fund.

L. Specific Transactions

There are risks involved in specific transactions or arrangements, such as loan securitizations, undertaken or entered into. Church Extension Fund was not involved in any securitizations as of the date of this Circular, nor has it ever been. However, CEF may (at some future date) securitize up to ten percent (10%) of its loan portfolio.

M. Geographic Concentrations

There are risks related to geographic concentration of loans to affiliated churches or other related organizations within a limited region, such that changes in economic conditions of that region could affect the ability of the churches or organizations, as a group, to repay the loans.

N. Low Rates & No Insurance

Risks of investment in the Notes may be greater than implied by relatively low interest rates on the Notes and the Notes are not insured by any governmental agency or private insurance company.

HISTORY AND OPERATIONS

The Church Extension Fund was organized in 1901 for the primary purpose of serving the congregations and entities of what is now known as the Michigan District of the Lutheran Church–Missouri Synod.

The Michigan District of the Lutheran Church–Missouri Synod is comprised of Lutheran congregations banded together to perform functions which they, alone, could not perform. The latest statistics available show it to have 374 congregations with membership of 211,216 baptized members served by 372 parish pastors. The District's executive offices are located at 3773 Geddes Road, Ann Arbor, Michigan 48105-3098.

The Michigan District is the largest of 35 Districts of The Lutheran Church–Missouri Synod, the national association of Lutheran congregations whose membership, according to the latest available statistics, numbered 2,312,111 baptized members in 6075 congregations served by 5407 parish pastors.

Although the Church Extension Fund is a separate corporation, its trustees are elected by the Michigan District at its conventions. The Michigan District, being a part of the Lutheran Church–Missouri Synod, is subject to the Constitution of the Synod and, hence, so then is the Church Extension Fund.

In the 110-year history of its existence, the Church Extension Fund of the Michigan District has not suffered any significant losses by reason of this program. Also, no investor has lost any invested money in that CEF has always met withdrawal requests. The debt is not secured by a pledge or mortgage of specific assets, and there is no sinking fund for repayment. There is no secondary market for the evidences of indebtedness hereby offered, repayment only being available from the issuer.

Church Extension Fund anticipates that it will issue up to \$75,000,000 in investment instruments during the next 12-month period, primarily to residents in the State of Michigan. Offers and sales may occur in other selected states where a significant number of investors have migrated from a previous address in Michigan and, hence, desire to continue to invest or re-invest with the Church Extension Fund. Generally, we do not solicit new investors from said selected states but make offers and sales there primarily to accommodate existing investors.

The Church Extension Fund of the Michigan District of the Lutheran Church–Missouri Synod is incorporated as a Church Trustee Corporation under the laws of the State of Michigan. It was incorporated in 1901. Church Extension Fund is a not-for-profit corporation and is currently exempt from income taxes under section 501(c)(3) of the Internal Revenue Code as part of the group tax exemption of The Lutheran Church–Missouri Synod.

The principal business office of the Church Extension Fund is located at 3773 Geddes Road, Ann Arbor, Michigan 48105-3098. The local telephone number is 734-665-3791. Telephone contact may also be made toll-free at 800-242-3944.

NAME CHANGE IN 1997

The Church Extension Fund of the Michigan District of the Lutheran Church–Missouri Synod was formerly known as the Church Extension Board of the Michigan District of the Lutheran Church–Missouri Synod (underscoring added for emphasis only).

The Michigan District of the Lutheran Church–Missouri Synod met in convention on June 22-25, 1997 and did adopt a resolution to change the name of the issuer from the Church Extension Board of the Michigan District of the Lutheran Church–Missouri Synod to the Church Extension Fund of the Michigan District of the Lutheran Church–Missouri Synod.

All investment instruments previously issued in the name of the Church Extension Board will be honored and reissued in the new name upon presentation of the instrument by the investor for a new or renewed investment.

USE OF PROCEEDS

The proceeds received by the Church Extension Fund upon the issuance of its evidence of indebtedness will be used or retained, together with other funds, for loans, grants and other funding as permitted in its Bylaws, including funds to member congregations of the District, the District itself, LCMS schools and colleges, entities and associations qualifying as Michigan District recognized service organizations, entities and associations qualifying as Lutheran Church–Missouri Synod recognized service organizations, and entities owned and/or operated by member congregations, to acquire property, to erect buildings, to purchase equipment, and to support projects and the operations of the above which contribute to the ministry and purposes of the Michigan District and its member congregations.

Loans are also made to established congregations, to the Michigan District itself, and Lutheran entities and associations as outlined in their Bylaws, for capital expansion and ministry purposes. These include the purchase of sites for future potential use, the construction and/or remodeling of churches and other church facilities, including Sunday School and parochial school classrooms and facilities, and for operations of their organizations, and mortgage loans to congregations and to the Michigan District to enable them to provide housing for their church workers.

Loans may be made for the purchase or construction of housing, directly to professional church workers within the Michigan District and as allowed by the Church Extension Fund Bylaws.

Although the primary purpose of the Church Extension Fund shall be to contribute to the ministry and purposes of the Michigan District and its member congregations, CEF may also assist other Lutheran Church–Missouri Synod Districts, through their respective Church Extension Funds, by purchasing or participating, in whole or in part, in loans or investments, of other LCMS Districts or the Lutheran Church Extension Fund of the LCMS.

Proceeds may be invested in interest-bearing obligations pending utilization, and are not necessarily earmarked for any particular loan or program.

In addition to making loans for the purchase of sites and the construction or renovation of church facilities, the Church Extension Fund acquires real property to be utilized in the future by congregations which the Michigan District anticipates will be established. Church Extension Fund attempts to acquire such sites in areas which it appears that congregations may be formed in the future, and the acquisitions are often made in areas in which it is anticipated that there will be growth in the Lutheran population. However, real estate may be held for long periods of time without the formation of the anticipated congregations. Sites may be sold to third parties when it becomes apparent that the establishment of a congregation is unlikely. The proceeds from such sale would be used to acquire more sites or used for funding the other activities of the Church Extension Fund.

USE OF PROCEEDS

(Continued)

At year-end 2010, Church Extension Fund held ownership in 14 various parcels of real estate located in various places within the State of Michigan. Properties are held at the cost of acquisition or current market value, whichever is less. It is current policy to obtain a market evaluation of each property every five years. During 2010, three of the properties were evaluated and revealed a decreased market value. Hence, those three properties were "written-down" in value by \$212,131. See "impairment on Advance Mission Sites" on the Statement of Activities in the Audited Financial Statements. During 2010, a Deed in Lieu of Foreclosure was accepted from a borrowing congregation, for the unpaid mortgage balance of \$977,226, and is now carried as 'real estate owned' at that value. CEF has, in turn, rented the facility to the congregation in anticipation of them meeting certain growth goals. According to a Real Estate Broker Price-Opinion, the value of the property exceeds the carrying value. The Carrying Value of all 14 properties, as of December 31st, was \$5,730,436 or 2.09% of Total Assets.

The Church Extension Fund also operates a Grants Program at its discretion to help foster and promote ministry in the Michigan District. An amount equal to approximately ten percent of the previous year's net equity growth of the Fund (income over expenses) is allocated for grants to congregations, organizations, and Lutheran entities for development of new and innovative forms of ministry. The Grants Program requires a congregation or other applicant to submit a request for inclusion in this program. A committee of the Board of Trustees evaluates the request on the basis of internal guidelines and criteria and makes the determination whether or not the request will be granted, and if so, in what amount.

The Board of Trustees may designate a portion of a year's financial results in the form of interest rebates to borrowers based upon the net operating income of the year. The primary purpose of Church Extension Fund is to provide low-cost loans to congregations and Church organizations who need to borrow money for expansion and ministry purposes. The interest rates charged borrowers is determined on a formula basis related to the net cost of Church Extension acquiring monies, primarily through the sale of securities. If CEF experiences a particularly good "bottom line," it generally wants to pass excess revenue back to borrowing congregations in the form of an interest rebate or interest rate reduction.

FINANCING AND OPERATIONAL ACTIVITIES

Outstanding Notes Payable

Church Extension Fund's primary means of generating funds for Church Extension activities is through the sale of its Notes. The following chart sets forth the types of Notes and debt obligations that have been sold and incurred as of December 31, 2010:

Notes	\$158,498,821
Variable Rate Certificates	8,984,655
Dedicated Savings	7,452,869
Demand Savings	1,518,458
ExtensionPlus	24,450,433
IRA Notes	25,184,298
IRA Dedicated Savings	32,685
Stamps	138,615
Total	\$226,260,834

Maturities - Notes Payable

The following chart states the maturities of Notes payable. Church Extension Fund believes that it will be able to pay these redemptions from repayments of loan principal and interest expected to be received for the same periods:

Year	Maturities
Demand	\$ 33,706,064
2011	73,625,644
2012	42,721,273
2013	22,876,514
2014	17,161,730
2015	30,764,832
2016-2020	1,955,623
2021-2025	3,363,520
2026-2030	85,634
	<u>\$226,260,834</u>

Receipts and Redemptions

The chart below is a comparative Investment & Redemption report of activity for the years ended December 31, 2009 and 2010. "Exchanges" denotes the circumstance where an investor does not wish to withdraw their funds upon the maturity of a security (Note) previously purchased, but no longer offered under the current Offering Circular, or when the investor wishes to change the format of a matured investment. Thus, for instance, an investor holding a matured Fixed Rate Note might wish to "exchange" by reinvesting in a Variable Rate Note or reinvest for a different maturity. "Interest Added" denotes either 1) the circumstance where a security is rolled over upon maturity, and the interest earned on the original issue security is added to the principal of the renewed security, or 2) interest is being compounded and added to the security upon Notes which have not yet reached maturity. "Redemptions" denote the termination of funds from security instruments without reinvestment.

	2010	2009
New Investments	\$27,679,249	\$26,771,874
Exchanges	15,937,050	11,950,070
Interest Added	<u>6,666,087</u>	<u>7,927,840</u>
	\$50,282,386	\$46,649,784
Redemptions	\$28,102,498	\$34,062,420
Exchanges	<u>15,878,243</u>	<u>11,886,969</u>
	<u>43,980,741</u>	<u>45,949,389</u>
Net	\$ 6,301,645	\$ 700,395

Loans Receivable

Outstanding loan balances receivable, with the average interest rates are shown below for the year ended December 31, 2010.

Receivables	Avg. Int. Rate	Principal
Mortgages-Congregation	4.589%	\$142,990,726
Mortgages-RSOs	4.148	20,777,956
Mortgages-District	4.763	3,273,472
Land Contracts	5.759	415,658
Housing Loans-Congregation	5.090	27,155,629
Housing Loans-RSOs	<u>5.520</u>	<u>1,656,627</u>
	4.946%	\$196,270,068

FINANCING AND OPERATIONAL ACTIVITIES

(Continued)

A summary of the maturities of loan balances (as of December 31, 2010) which are expected to mature in the upcoming years:

2011	\$ 56,052,637
2012	26,151,900
2013	32,748,495
2014	29,242,154
2015	27,279,500
2016+	<u>24,795,383</u>
Total	\$196,270,068

Non-Related Revenues and Expenses

During the past fiscal year, ended December 31, 2010, there were no direct or indirect revenues or expenses of non-related Church Extension Fund activity.

Ability to Repay Notes

The securities issued by the Church Extension Fund are of various maturities. Historically, the Church Extension Fund has been able to meet principal and interest requirements on its outstanding investment obligations from the principal and interest it receives on its outstanding loans and from available reserves. Because of the non-liquid nature of outstanding loans, repayment of outstanding Notes by the Church Extension Fund may depend to some extent on continued sale of investment securities and renewal of investments by a percentage of existing Note holders.

LENDING ACTIVITIES

Nature and Types of Loans

Loans are made to various borrowers as previously described above in the section "Use of Proceeds" (see pages 6 & 7). Loans are made for real estate acquisition, construction, renovation, relocation, repairs, equipment and to a minor extent, operating funds. Loans are also made to eligible borrowers (as previously described) for the purpose of housing.

Church Extension Fund loans are primarily interest-bearing loans which are normally secured by pledge of mortgage of the property and buildings for which the funds are to be used. Interest rates are determined by the Board of Trustees policy by using the current cost of funds plus a percentage margin of at least one percent (1%) for costs associated with administering the fund. Interest rates on housing loans are set by using the above guideline plus taking into consideration the rates currently offered by conventional lenders for residential mortgages. The minimum target differential ratio between Church Extension Fund cost of funds and the interest rates of return on the entire loan portfolio should be at or above one percent (1%).

Generally, loans are offered with an amortization of up to twenty-five years with a five year term of maturity. At maturity, the loan is generally extended for another period of years at the prevailing rate at that time. Loans may also be offered with an adjustable rate of interest with amortizations up to 25 years. Loans for housing are currently granted for a term of 3, 5, or 15 years with amortization periods up to 30 years, and require monthly payments of principal and interest.

On occasion, Church Extension Fund may approve a "member participation loan" for a borrowing congregation, wherein all funds for the loan are garnered from members of the congregation and 'earmarked' for the specific project.

This allows the congregation to establish the interest rates to be paid on member investments and, therefore, participates in establishing the rate of interest to be paid on the loan. The group of notes sold to individual investors from the congregation are not secured, and are unsecured obligations of the Church Extension Fund not unlike any other notes offered. The specific loan is secured by a real estate mortgage on the property for which the proceeds of the loan are being used.

One of the primary functions of the Church Extension Fund is to make loans to new congregations ("mission churches"). Loans will sometimes be extended with the intent of assisting congregations unable to obtain funds in the normal money markets. In many instances, the Board of Trustees will be providing a borrower with funds in the form of a subsidy reflected in a lower interest rate. Current loans to mission churches are initially granted at cost of funds plus .25% interest for a five (5) year term (0.0% for site loans for up to a three (3) year term).

Loan Policy and Underwriting

Factors considered in deciding on the issuance of a loan include: a) the purpose toward which the funds will be used and how such will aid the ministry; b) the history of the congregation, including membership and financial statistics; c) projected community and membership population; d) an analysis of past, current, and projected financial capacity of the congregation; e) a cost analysis of the project and f) a review of the architectural plans and specifications. It is normally required that the church property for which the loan will be used be owned free and clear by the borrower in order to secure a first lien in favor of the Church Extension Fund. If later construction or remodeling loans are issued, the mortgage is rewritten to encompass the entire property for purposes of the lien security.

In connection with loans made to congregations (excluding housing loans), investment support provided by members of the borrowing congregation is considered. The current Church Extension Fund Investment Incentive Program encourages the borrowing congregation's members to have invested 25% of the loan amount in Church Extension Fund Notes. The rate of interest on loans to congregations can be decreased by the ratio of member investments to the loan amount. Under current policy, a ½% interest rate reduction is given to congregations with members investing 50% or more of the loan amount, and should 100% in member investments be achieved, an interest rate reduction of 1% is applied.

Material Loans to a Single Borrower

In order to manage the risk in making loans, loans are limited in size to 20% of net assets. Where congregations request loans in excess of 20% of CEF's net assets, the Board of Trustees may obtain participation in the loan from other entities (i.e., LCEF, banks, insurance companies, etc.). As of December 31, 2010, Church Extension Fund's net assets were \$47,695,970.

During 2010, loan commitments exceeding 20% of net assets were outstanding to a single borrower totaling 19.3 million dollars. Concordia University in Ann Arbor, Michigan, a part of the Concordia University System within the Lutheran Church-Missouri Synod, has three loans outstanding and an Irrevocable Letter of Credit outstanding: 1) a long term debt loan in the amount of \$9 million; 2) an operating line-of-credit loan of \$2 million [balance of \$1.5 million at 12/31/10];

LENDING ACTIVITIES

(Continued)

3) a term loan in an amount of \$4.6 million for the purpose of replacing and improving the electrical, plumbing, heating & cooling systems, throughout the majority of the campus, as part of an energy savings project expecting returns sufficient to service the debt on this particular loan, and 4) a Letter of Credit issued in April 2010, expiring June 2011, in favor of the US Department of Education in the amount of \$3.7 million for the guaranteed disbursement of student funds [zero balance at 12/31/10]. All three loans and the Letter of Credit are secured by a first real estate mortgage on the University's main campus acreage, buildings and improvements. Balances outstanding on all three loans as well as the Letter of Credit, totaled \$15,071,269 as of December 31, 2010.

In addition, the risk associated with making many large loans is managed by limiting the total amount of all loans with a balance greater than 10% of net assets to the total equity of the Fund. Loans exceeding 10% of net assets must be approved by a 2/3 majority vote of the Board, with a minimum of six votes for approval.

At the close of business on December 31, 2010, there were four loans to two different borrowers with an unpaid principal balance in excess of 10% of net assets, the two borrowers' balances are as follows:

\$15,071,269
\$ 6,243,939
\$21,315,208

Delinquencies and Loan Loss

Church Extension Fund has experienced loan loss, loans charged-off deemed as uncollectible, during the past three years as follows:

2010 = \$9,898 2009 = \$39,205 2008 = \$0

It is the mission of the Church Extension Fund to assist congregations with low-cost financing in support for their ministries. Occasionally, borrowers may experience financial hardship, for any one of a variety of reasons, and CEF intentionally assists by offering advice and counsel on fiscal matters. As a result of a situation analysis, existing loans (either delinquent or current) may be restructured by amending the required monthly payment or requiring "interest-only" payments for a certain period of time and/or adjusting the interest rate. Such accommodations are done in an effort to give the borrower financial relief and provide them with improved cash flow. Disclosure of restructured loans can be found under *Management's Comments-Delinquencies* on page 11 and in the financial statement footnotes.

The table below provides a summary of loan delinquency for the three most recent fiscal years, indicating the principal balance of all loans that were 90 or more days past due:

Date	Principal Balance	Percentage of Loans Outstanding
December 2010	\$ 6,369,143	3.25%
December 2009	\$13,662,913	7.01%
December 2008	\$ 6,043,345	3.10%

An explanation may be found under "Management's Comments & Analysis of Selected Financial Data", contained in the "Selected Financial Data Section" following on page 11.

Related Party Loans

At year end 2010, the Michigan District of the Lutheran Church-Missouri Synod had loan balances outstanding with Church Extension Fund in the amount of \$3,273,472 as noted in a separate line item in the accompanying financial statements. These loans are secured with real estate mortgages on various properties and have been made, through the years, primarily for the housing of professional church workers. Loans may be made to the District also for property acquisition, improvement or operating purposes.

Participation Loans

CEF may, from time-to-time, participate in a loan, either in part or in whole, originated by another CEF located in another district of the Lutheran Church-Missouri Synod. Participation loans are secured by a first lien position on a church and/or school property given as collateral by the borrower. At year-end December 31, 2010, CEF in the Michigan District was a participant in one loan with an outstanding balance (our portion) of \$1,505,000.



Church Extension Fund
800-242-3944 www.mi-cef.org

INVESTING ACTIVITIES

Nature and Amount of Invested Funds

At the end of the fiscal year, December 31, 2010, Church Extension Fund had cash, cash equivalents, readily marketable securities and available lines of credit of \$75.9 million or 33.5% of Notes Payable, exceeding the requirement of at least 8% of Notes Payable. An unsecured line of credit in the amount of \$4.0 million is maintained with our primary deposit bank to assist with any daily liquidity needs. In addition, CEF has an established line of credit with Morgan Stanley. Borrowings under the line of credit are collateralized by securities held at Morgan Stanley. The interest rate is negotiated at the time the line is accessed. The line of credit is available for general operating purposes.

Policy

The Board of Trustees sets and approves the operating policies of the Fund, including an Investment Policy. A conservative approach is taken toward the investment of reserve dollars with the portfolio generally limited to the following: U.S. Treasury Bills, Notes and Bonds, U.S. Government Agency securities, Certificates of Deposit, Corporate Bonds that meet or exceed a credit rating of "BBB", Collateralized Mortgage Obligations (CMOs) that are agency guaranteed, Lutheran Church Extension Fund securities, Lutheran Church Missouri Synod Foundation investments and money market funds/savings account.

During 2010, there were no individual investments purchased that were outside the expectations of the Investment Policy. However, the credit rating of certain securities held were downgraded to less than an "BBB" rating since their purchase. Each of those individual (downgraded) securities are evaluated and a decision may be made by the CEF Board and management to hold the downgraded securities to maturity, although outside of normal policy, rather than redeeming before maturity and potentially experiencing a realized loss on the investment(s).

There is a separate Investment Policy for the Endowment Fund portion of the Church Extension Fund. The Endowment Fund Investment Policy includes all of the general fund investment policy (types of investments) as written above, plus it allows for up to 50% of the Endowment Fund assets to be invested in equities or equity mutual funds. At the close of 2010, approximately 30.7% of the Endowment Fund investments were held in equities.

Investing Responsibilities

The Church Extension Fund maintains an investment portfolio for liquidity purposes and until funds are disbursed for new loans. The investment portfolio is managed by the Chief Executive Officer and Chief Financial Officer of the Church Extension Fund, receiving counsel from the Investment Committee.

The Investment Committee consists of six persons that generally meet three or four times annually and is composed of three Trustees, together with three other members appointed "at large" and considered to possess knowledge in financial matters. A portion of the general fund investment portfolio is managed by and through two outside firms. Of the \$68.0 million in the portfolio, \$12.3 million was under management of Western Asset Management and held by Morgan Stanley at year end 2010. Likewise, \$9.4 million was under management by KeyBank, NA. Both of these firms have been given the Investment Policy of the Church Extension Fund and are required to adhere to it. Monthly statements of activity from the two firms are reviewed by the management of the Church Extension Fund.

Periodic reports of progress with analysis of yield and portfolio holdings are reviewed by the Investment Committee described above.

Investments & Maturities

The following chart indicates the types and dollar amounts of investments held in reserve (at market value) as of December 31, 2010:

		% of Portfolio
Certificates of Deposit	\$ 6,671,600	10 %
U.S. T-Notes	5,672,075	8
U.S. Govt Agencies	13,729,923	20
CMOs	965,169	1
Corporate Bonds	29,528,345	43
Mutual Funds	3,189,449	5
Lutheran Church Extension Fund	1,000,000	2
LCMS Foundation	<u>7,266,999</u>	<u>11</u>
	<u>\$68,023,560</u>	<u>100%</u>

Maturities of various investments, as of December 31, 2010, ranged from zero to thirty years and coming due as follows:

Demand	\$11,468,612
2011	9,724,351
2012	6,997,144
2013	5,657,252
2014	6,073,611
2015	6,946,460
2016 & beyond	<u>21,156,130</u>
	<u>\$68,023,560</u>

A "maturity ladder" of investments is maintained which provides for maturities in nearly every month of the year.

Aggregate Gains & Losses

As the portfolio is managed, whether internally by Church Extension Fund management, or externally by the outside firms noted above, purchases and sales of securities often produce either gains or losses depending upon the market values at the time of acquisition or disposition. Aggregate realized and unrealized gains and losses from investments for each of the past three fiscal years were as follows:

	2010	2009	2008
Realized Gain/(Loss)	\$ 306,310	\$ 95,793	(\$ 405,160)
Unrealized Gain/(Loss)	\$ 858,470	\$2,534,302	(\$2,262,821)
Net Gain/(Loss)	\$1,164,780	\$2,630,095	(\$2,667,981)

SELECTED FINANCIAL DATA

Selected financial data is set forth below with respect to Church Extension Fund and its operations for the most recent five fiscal years.

Year End 12/31 -	2010	2009	2008	2007	2006
Cash, Cash Equivalents and Marketable Securities	\$ 71,964,907	\$ 63,675,522	\$ 58,057,844	\$ 57,550,076	\$ 55,589,801
Total Loans Receivable	\$196,270,068	\$194,998,221	\$195,038,212	\$197,013,745	\$194,443,905
Unsecured Loans Receivable	\$ 308,293	\$ 276,959	\$ 259,849	\$ 354,738	\$ 469,199
% of Unsecured Loans Receivable	0.2%	0.1%	0.1%	0.2%	0.2%
Loan Delinquencies as a Percent of Loans Receivable	3.25%	7.01%	3.10%	4.72%	3.89%
Total Assets	\$273,982,475	\$264,257,865	\$260,155,918	\$260,740,015	\$256,836,126
Total Notes Payable	\$226,260,834	\$219,959,189	\$219,258,794	\$219,652,039	\$217,457,784
Amount of Notes Redeemed					
During the Fiscal Year	\$ 43,980,741	\$ 45,949,389	\$ 54,103,795	\$ 55,012,482	\$ 62,734,747
Other Long Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Assets	\$ 47,695,970	\$ 44,247,002	\$ 40,796,355	\$ 40,920,006	\$ 39,191,305
Change in Net Assets	\$ 3,448,968	\$ 3,450,647	\$ (123,651)	\$ 1,728,701	\$ 1,561,560

Management's Comments & Analysis of Selected Data:

Management regularly reviews the overall financial condition of the Church Extension Fund. This is done in part by reviewing past and expected performance in certain key areas. Complete financial information and other data is presented at each regular meeting of the Church Extension Board of Trustees.

Cash & Liquidity

The amount of available cash as compared to cash redemptions, historically, has met the demand for redemption of term Notes from principal repayments from the loan receivable portfolio. Generally, redemption activity from demand Notes has historically been funded from additions to these same instruments.

CEF maintains both operating liquidity to provide for cash requirements for the next twelve months as well as a reserve liquidity equal to 10% of the outstanding Notes payable. For the fiscal year ended December 31, 2010, cash, cash equivalent and readily marketable assets had a market value equal to 31.8% of its outstanding Notes.

Loans Receivable

The demand for new loans and the increase in Loans Receivable for the past five years has been met with similar increases in Total Notes Payable and the overall growth of the Fund in terms of Total Assets. Less than one percent of the Loans Receivable are unsecured.

Loan Delinquencies

At December 31, 2010, the principal balance of loans with payments over 90 days past due amounted to 3.25% of total loans receivable. Historically, loan delinquency has been in the three percent range or less. Delinquency was higher at year end 2009 due primarily to borrowing congregations experiencing decreased contributions in a struggling Michigan economy. Unemployment in Michigan during 2009, reported at 15+% as compared to a national average of 10%, impacted the congregations' abilities to make monthly payments as originally agreed. Although the percentage of delinquent loans trended upward throughout 2009, the delinquency trended downward during 2010 to an acceptable level as borrowers made budgetary adjustments.

The historical quality of loans made is evidenced by prior delinquencies in acceptable proportions to total Loans Receivable. It is management's opinion that this level of delinquencies will not significantly impair liquidity, cash flow or net worth, nor will it result in any significant loan loss. CEF restructures existing loans, that may or may not be delinquent, but have become impaired. Generally, accommodations are made for borrowers experiencing a decrease in revenue for a variety of reasons, i.e. reduction in attendance or offerings, conflict in the parish, an increase of unemployment in the community, etc. The terms of the loan may be restructured to revise the payment amortization and/or the interest rate to provide the borrower with financial relief for a certain period of time. Eight (8) loans with balances totaling \$8.3 million were restructured during 2010. Management believes such is in the best interest of the borrower(s) at this time and will not have a material impact on the financial stability of CEF. As of 12/31/10 a total of 31 loans with balances of \$41 million were considered impaired, compared to 31 and 20 loans with outstanding balances of \$40 and \$13 million at 12/31/09 and 12/31/08, respectively.

Source of Funds for Redemption of Notes

Historically, interest and principal payments on CEF Notes have been made primarily from the amounts received as principal and interest payments on outstanding loans. CEF anticipates that it will continue to experience similar results in the future. To date, repayments of loans receivable have been sufficient to fund redemptions of term Notes.

Net Assets & Capital Adequacy

The capital position of the CEF has supported the financial position and operations of the Fund. For the fiscal year ended December 31, 2010, net assets were equal to 17.41% of total assets. CEF strives to maintain a strong capital position to support its growth and operations.

Change in Net Assets

CEF strives to manage its operations to provide interest income sufficient to fund interest expense on its Notes payable and operating expenses. CEF has achieved positive operating income in four of the past five years. Unrestricted net assets increased by \$3,448,968 in 2010.

SELECTED FINANCIAL DATA

(Continued)

Net Assets include the Endowment Fund, shown as separate line items on the audited financial statements, categorized as 'board designated', 'temporarily restricted' and 'permanently restricted'. At year end 2010, balances in these three categories were at \$5.2 million, \$201,885 and \$212,000 respectively. The Endowment Fund was established in 1992 to receive gifts and bequests to be used to promote the purpose of the Church Extension Fund, hence, known as 'board designated'. Monies may also be received into the Endowment Fund for the benefit of a third party, the earnings from which are paid unto the third party as designated by the donor, hence, classified as 'restricted'.

DESCRIPTION OF NOTES (INVESTMENTS)

Type of Notes, terms, nature, including interest computation and/or accrual are described below. Investments offered by the Church Extension Fund are securities with rates of interest set either upon the original purchase date and remaining fixed for the term, or securities with a rate which varies over the term of the investment. Rates are determined by an index based upon statistical information of interest rates as published by *Bank Rate Monitor*TM, which is a weekly publication of survey results from 100 large banks and thrift institutions in 10 consolidated metropolitan statistical areas across the United States. The specific index used and how it interacts with the rate offered on each security is contained in the description of each instrument below.

Dedicated Savings Certificates:

This is a plan that permits additions to the investment and redemption privileges at any time with no loss of interest. A minimum investment of \$5.00 is required. The interest rate on all Dedicated Savings Certificates (new and outstanding) will be adjusted on the first day of each month, that rate to be effective to the close of the last day of that month. The interest rate to be set each month shall be based on the trailing four-week average of rates paid on Money Market Accounts (MMA) as published in the *Bank Rate Monitor*TM, referred to as the "MMA Index", plus or minus an increment determined each month by the Church Extension Fund, which may vary above or below the MMA Index, and also vary according to the total amount invested in this instrument as follows: 1) amounts less than \$100; 2) amounts of at least \$100 and less than \$1,000; 3) amounts of at least \$1,000 and less than \$10,000; 4) amounts of at least \$10,000 and more. The maximum interest rate to be paid will be 10%. At the end of each calendar month, interest earned to that date will be added to the principal amount of the investment. For balances of \$10,000 or more, the investor may request that interest not be compounded but be paid out on a regular basis. An investment record of the interest rate, additions, withdrawals, earnings and balance will be mailed semiannually after June 30 and December 31.

An investor with a Dedicated Savings Certificate may have the added convenience of redeeming funds at any time by completing an application for such privileges. The investor is assigned a "pass-code" of their choosing. The investor then may telephone the Church Extension office (toll free at 800-242-3944) during normal business hours and request that a partial redemption be made from the Dedicated Savings Account and forwarded to the investor; such requests are honored and forwarded to the investor within 24 hours.

Fixed Rate Note:

Fixed Rate Notes are offered, giving the investor the flexibility of choosing the actual term (maturity). These Notes have terms of 3 up to 6 months, 6 up to 12 months, 12 up to 24 months, 24 up to 60 months, or 5 years.

A minimum investment of \$500 is required on Fixed Rate Notes. Additions to Fixed Rate Notes are not allowed during the term of the Note.

The interest rate is fixed for the entire term of the Note. The index used to set interest rates will be the trailing four-week average of the *Bank Rate Monitor*TM national index for 3 month, 6 month, 1 year, 2 year and 5 year certificates of deposit, respectively, plus an increment determined by the Church Extension Fund. The maximum interest rate to be paid on these Notes will be 10%. Interest is earned and added at the end of each calendar quarter; Investor may elect to have interest earnings compound or be paid said earnings on a monthly or quarterly basis. The investor has the option of receiving interest earned by check or by electronic transfer of funds to a financial institution.

Fixed Rate Notes are automatically renewable at the option of the Church Extension Fund for a like term as described above. Investors will be apprised of impending maturities in writing at least 30 days prior to the original due date and each extended due date. If presentation and written demand for payment is not timely made, the Notes may be extended for continuous terms equal to the original term at the prevailing rate then offered for Notes with the same length of maturity, until such demand for payment is made by the investor at the next maturity date.

Semiannual statements will be mailed after June 30 and December 31, indicating interest payments or accruals and balance.

Fixed Rate 2+2 Note:

Fixed Rate 2+2 Notes are offered, giving the investor the flexibility of making 2 additions and/or 2 redemptions during the term of the Note, while yet maintaining the interest rate and maturity date. The balance may not be drawn down below the original investment amount, however. These Notes have a term of 17 months.

A minimum investment of \$2,500 is required on Fixed Rate 2+2 Notes.

The interest rate is fixed for the entire term of the Note. The index used to set interest rates will be the trailing four-week average of the *Bank Rate Monitor*TM national index for 1 year or 2 year certificates of deposit, respectively, plus an increment determined by the Church Extension Fund. The maximum interest rate to be paid on these Notes will be 10%. Interest is earned and added at the end of each calendar quarter; Investor may elect to have interest earnings compound or be paid said earnings on a monthly or quarterly basis. The investor has the option of receiving interest earned by check or by electronic transfer of funds to a financial institution.

Fixed Rate 2+2 Notes are automatically renewable at the option of the Church Extension Fund for a like term as described above. Investors will be apprised of impending maturities in writing at least 30 days prior to the original due date and each extended due date. If presentation and written demand for payment is not timely made, the Notes may be extended for continuous terms equal to the original term at the prevailing rate then offered for Notes with the same length of maturity, until such demand for payment is made by the investor at the next maturity date.

Semiannual statements will be mailed after June 30 and December 31, indicating interest payments or accruals and balance.

DESCRIPTION OF NOTES (INVESTMENTS)

(Continued)

Variable Rate Note:

These Notes have a specified term of either 1 year, 2½ years, or 5 years, with rates adjusted each calendar quarter over the term. A minimum investment of \$500 is required. Additional investments in minimum amounts of \$100 may be made and added to the principal balance of a Variable Rate Note while maintaining the same maturity. Additional investments on these Notes will apply to all outstanding and newly issued Variable Rate Notes. The index used to set interest rates will be the trailing four-week average of the *Bank Rate Monitor*TM national index for 1 year, 2½ year and 5 year certificates of deposit, respectively, plus an increment determined each quarter by the Church Extension Fund. The interest rate on all Notes sold and outstanding will be adjusted on the first day of each calendar quarter, with that rate to remain in effect throughout that quarter. The maximum interest rate to be paid on these Notes will be 10%. Interest is earned and added at the end of each calendar quarter; Investor may elect to have interest earnings compound or be paid said earnings on a monthly or quarterly basis. The investor has the option of receiving interest earned by check or by electronic transfer of funds to a financial institution.

Variable Rate Notes are automatically renewable at the option of the Church Extension Fund for a like term as described above. Investors will be apprised of impending maturities in writing at least 30 days prior to the original due date and each extended due date. If presentation and written demand for payment is not timely made, the Notes may be extended for continuous terms equal to the original term until such demand for payment is made by the investor at the next maturity date.

Semiannual statements will be mailed after June 30 and December 31, indicating additions, interest payments or accruals, and balance.

Step-Up Rate Note:

Step-Up Rate Notes are offered at a term of 24 months, with the rate of interest fixed for 6-month intervals and increasing each 6 months that the investor chooses not to redeem the investment. At the end of each 6-month interval, the investor may elect to redeem the entire investment without penalty, within the first 10 days following the end of each 6-month interval. A minimum investment of \$500 is required and additions are not allowed during the term (24 months) of the Note.

At the time of purchase, the actual rates of interest to be paid on each 6-month interval will be disclosed to the investor on the face of the Note issued.

The index used to set interest rates will be the trailing four-week average of the *Bank Rate Monitor*TM national index for 6 month, 1 year, and 2 year Certificates of Deposit, respectively, plus an increment determined by the Church Extension Fund. The maximum interest rate to be paid on these Notes will be 10%. Interest is earned at the end of each calendar quarter. Investor may elect to have interest earnings compound or be paid said earnings on a monthly or quarterly basis. The investor has the option of receiving interest earned by check or by electronic transfer of funds to a financial institution.

Step-Up Rate Notes are automatically renewable at the option of the Church Extension Fund for a like term as described above. Investors will be apprised of impending maturities in writing at least 30 days prior to the original due date and each extended due date. If presentation and written demand for payment is not timely made, the Notes may be extended for continuous terms equal to the original term at the prevailing rates then offered for Step-Up Rate

Notes with the same length of maturity, until such demand for payment is made by the investor.

Semiannual statements will be mailed after June 30 and December 31, indicating interest payments or accruals and balance.

Growth Note:

These Notes are available for terms of 6 through 20 years (in one year increments) and pay rates of interest which remain fixed for the entire term of the Note. Interest on these Notes is added to the principal and the minimum required investment for each term is equal to the amount required to attain \$1000 at maturity based on the stated interest rate and term. Interest on Growth Notes is compounded over the term of the Note and will not be paid out prior to the maturity. Additions to Growth Notes are not allowed during the term of the Note. The rate of interest on all Growth Notes to be offered will be set on the first day of each month, that rate to be effective for all sales during that month to the close of the last day of the month. Interest rates offered each month, for various maturities, will be determined by the Church Extension Fund with a maximum interest rate not exceeding 10%. Investors will be apprised of impending maturities at least 30 days prior to the original due date and each extended due date. Growth Notes not presented for payment at their original maturity will automatically be renewed for a one year term at an interest rate offered for Fixed Rate Notes with a one year maturity prevailing at that time.

Semiannual statements will be mailed after June 30 and December 31, indicating interest accruals and balance.

ExtensionPlus Account Certificate:

This demand Certificate has a four-tiered minimum balance, which pays a higher interest rate for higher balances. Additions to the investment as well as redemptions are permitted at any time. Check writing access for partial or total redemptions is available, the minimum amount per check is \$250.00. Additionally, the investor may choose a VISA[®] check card option for access to the balance for retail purchases and at ATM's (automated teller machines).

A minimum investment of \$100 is required to open and a minimum balance of \$100 must be maintained. The interest rate on all ExtensionPlus Account Certificates (new and outstanding) will be adjusted on the first day of each month, that rate to be effective to the close of the last day of that month.

The interest rate to be set each month shall be based on the trailing four-week average of rates paid on Money Market Accounts (MMA) as published in the *Bank Rate Monitor*TM, referred to as the "MMA Index", plus or minus an increment determined each month by the Church Extension Fund, which may vary above or below the MMA Index, and also vary according to the total amount invested in this instrument as follows: 1) amounts less than \$1,000; 2) amounts of at least \$1,000 and less than \$10,000; 3) amounts of at least \$10,000 and less than \$25,000; 4) amounts of at least \$25,000 and more. The maximum interest rate to be paid will be 10%. Each month, interest earned will be added to the principal amount of the investment. An investment record of the interest rate, additions, redemptions, earnings and account balance will be mailed monthly.

Church Extension Fund has entered into an agreement with UMB Bank of Kansas City, Missouri for the servicing of both the check writing and check card features of the ExtensionPlus Account. Twenty-four hour customer service is provided by UMB Bank for lost or stolen check cards by telephoning their toll-free number: 800-449-9176.

DESCRIPTION OF NOTES (INVESTMENTS)

(Continued)

Variable Rate Certificate

For Congregation Endowment And Special Funds:

Congregations that are members of the Michigan District, the District itself, and organizations and associations affiliated with the Lutheran Church–Missouri Synod may invest in all of the investment instruments described above. In addition, the Church Extension Fund offers a special Variable Rate Certificate for these organizations for Endowment Fund and Special Purpose Fund investments. These Variable Rate Certificates require a minimum investment of \$500, are available for a 1, 2 or 5 year term, and will allow additional investments in minimum amounts of \$500, while maintaining the same maturity date. No early redemptions of principal amount invested will be allowed on these investments without penalty.

The interest rate on all certificates sold and outstanding will be set and adjusted on the first day of each calendar quarter, with that rate to remain in effect throughout the quarter. The interest rate to be set each quarter shall be the trailing four-week average of rates for 2 year and 5 year certificates of deposit as published in the *Bank Rate Monitor*TM national index, plus an increment determined each quarter by the Church Extension Fund. The maximum interest rate to be paid on these certificates will be 10%. The investor has the option of receiving interest earnings by check or leaving it to be compounded.

Variable Rate Certificates are automatically renewable at the option of the Church Extension Fund for a like term under the same notice requirements as provided for Variable Rate Notes and Fixed Rate Notes. The rate of interest at the renewal date will be the interest rate then in effect for Variable Rate Certificates.

Fixed Rate Note

For Congregation Endowment And Special Funds:

Fixed Rate Notes are offered to congregations that are members of the Michigan District, the District itself, organizations and associations affiliated with the Lutheran Church–Missouri Synod. Minimum investment for these types of Notes is \$500 with maturities of either 1, 2 or 5 years.

Interest earnings may be withdrawn prior to maturity, however, redemptions of the principal amount will not be permitted without penalty. Additions to the principal will not be allowed during the term of these Notes.

The interest rate is fixed for the entire term of the Note. The index used to set interest rates will be the trailing four-week average of the *Bank Rate Monitor*TM national index for 2 year and 5 year Certificates of Deposit, respectively, plus an increment determined by the Church Extension Fund. The maximum interest rate to be paid on these Notes will be 10%. Interest is earned and added to the account at the end of each calendar quarter; Investor may elect to have interest earnings compound or be paid said earnings on a monthly or quarterly basis. The investor has the option of receiving interest earned by check or by electronic transfer of funds to a financial institution.

Fixed Rate Notes are automatically renewable at the option of the Church Extension Fund for a like term as described above. Investors will be apprised of impending maturities in writing at least 30 days prior to the original due date and each extended due date. If presentation and written demand for payment is not timely made, the Notes may be extended for continuous terms equal to the original term at the prevailing rate then offered for Notes with the same length of maturity, until such demand for payment is made by the investor at the next maturity date.

Congregation Demand Savings Certificate:

A Demand Savings Account is offered to congregations and organizations with a minimum balance of \$500. Additional funds may be added at any time and redemptions made at any time without any penalty.

The interest rate will be adjusted on the first day of each month, that rate to be effective to the close of the last day of that month. The interest rate to be set each month shall be based on the trailing four-week average of rates paid on money market type accounts (MMA) as published in the *Bank Rate Monitor*TM, referred to as the “MMA Index”, plus or minus an increment determined each month by the Church Extension Fund, which may vary above or below the MMA Index, and also vary according to the total amount invested in this instrument as follows: 1) amounts less than \$500; 2) amounts of at least \$500 and less than \$1,000; 3) amounts of at least \$1,000 and less than \$10,000; 4) amounts of at least \$10,000 and more. The maximum rate of interest to be paid will be 10%.

Savings Stamps:

These are sold primarily to children and youth through the Sunday Schools and parochial day schools of Michigan District congregations. Stamps have cash values of \$.25 and \$1.00, and may be accumulated in stamp books. Stamps may be transferred to Dedicated Savings Certificates for the face value of all stamps accumulated in the stamp books. Congregations purchase the savings stamps from the Church Extension Fund in blocks of \$50.00 and \$100.00 books and sell them to their members and/or members’ children. The stamps may be purchased on account and paid for as they are sold.

IRA Investment Instruments:

The Church Extension Fund offers its Dedicated Savings Certificate, Fixed Rate and Variable Rate Notes, Step-Up Rate Notes and Growth Notes as investments to fund Individual Retirement Accounts (“IRAs”).

Dedicated Savings Certificates acquired as an investment for an IRA are offered with an initial minimum investment amount of \$100. Variable Rate Notes, Fixed Rate Notes, Step-Up Rate Notes and Growth Notes are offered as investments for an IRA as described in the preceding paragraphs.

Responsibility for establishing an Individual Retirement Account which will qualify for tax deferral under provisions of the tax law dealing with IRAs rests with the individual investor. The Church Extension Fund, however, has made arrangements with a financial institution with trust powers to act as custodian of self-directed IRAs, and upon direction of individual investors, to invest funds with Church Extension Fund of the Michigan District of the Lutheran Church–Missouri Synod. That institution is UMB Bank, N.A. of Kansas City, Missouri. Please be aware that a processing fee may be assessed by UMB Bank for annual distributions or closure of an IRA account. Detailed information about this program is available either through Church Extension Fund office or UMB Bank, in the latter case addressed to UMB Bank, N.A., 1010 Grand Blvd., Kansas City, MO 64106. In order to comply with the USA Patriot Act, UMB Bank may require additional information to verify an investor’s identity; their privacy policy is provided to all potential IRA investors. For additional information regarding IRA investment options or required forms, contact the Church Extension Fund office directly.

DESCRIPTION OF NOTES (INVESTMENTS)

(Continued)

Receipts And Certification of Notes:

Notes may be issued as uncertificated securities (i.e. in book-entry form), and the right of investors in such Notes will be reflected upon the books and records of the CEF. An Investment Certification, along with a Terms & Conditions document, will be provided to Investors to confirm their investment. The investor receives periodic statements (as stated in the various types of investment Notes described above) indicating the balance of a Note including any additions, withdrawals, and any interest credited, withdrawn or accumulated.

Penalties For Redemptions Prior To Maturity:

Fixed Rate Notes, Variable Rate Notes and Growth Notes, with an initial maturity of 1 year or more, submitted prior to maturity are subject to an interest penalty, being the loss of 180 days interest. A 3-6 month Fixed Rate Note submitted prior to maturity is subject to an interest penalty of 45 days loss of interest; early redemption of a 6-12 month Fixed Rate Note is subject to 90 days loss of interest. Step-Up Rate Notes are subject to an interest penalty equal to 45 days loss of interest.

However, if after the initial (first) maturity date and presuming the Investment has been automatically renewed for a like period of time, the Investor may redeem the Investment without any penalty for early redemptions.

The Church Extension Fund is not required to redeem any Note or certificate prior to its maturity. However, as a matter of policy and practice, the Church Extension Fund may redeem without penalty, at its discretion, such Notes and certificates, regardless of maturity, at the request of the investor, upon the evidence of necessity or emergency.

Transferability And Early Redemption:

The evidences of indebtedness to be issued hereby are not negotiable and are not transferable and are redeemable only upon endorsement, presentation, and surrender at the office of the Church Extension Fund of the Michigan District of the Lutheran Church—Missouri Synod. Notes may be assigned only upon the written consent of the Church Extension Fund.

Upon the death of one of the owners of the Note(s), CEF will redeem said Note(s) without penalty for early redemption and/or will transfer all or part of the proceeds into another investment under the rates and terms offered potential investors at that time and upon presentation of a properly completed application for investment.

Church Extension Fund will also honor requests from holders of Notes issued in individual or joint ownership names to transfer ownership of Note(s) to a trust without altering the original interest rate, maturity or other terms of the Note(s).

Electronic Funds Transfer:

Church Extension Fund offers a no cost service to investors called "Automatic Cash Transfer." Upon completing an application for ACT, the investor is given the convenience of one or all of the following services through the technology of electronic funds transfer between financial institutions: 1) The interest earnings from a Dedicated Savings Certificate (with a balance exceeding \$10,000) or a Fixed or Variable Rate Note may be electronically deposited to the investor's local bank account; 2) The investor may establish an automatic investment program by authorizing Church Extension to regularly withdraw funds from the investor's local bank account and electronically transfer to a Church Extension investment;

3) Funds in a predetermined amount may automatically be withdrawn from a Dedicated Savings Certificate and deposited directly into an account of the investor's choice at another financial institution.

Acceptance Of Funds:

Church Extension Fund will accept payment for the purchase of its Notes and other investments in the form of cash, personal check, cashier's check, money order, transfers by wire, or ACH transfer or other similar services utilized by financial institutions. Church Extension Fund may also accept funds in the form of credit cards or debit cards.

Ranking And Priority:

The securities issued hereunder are not now subordinated to any other debt of the issuer. The amount of any senior secured indebtedness to which the Notes are or will be subordinated shall not exceed ten percent (10%) of the tangible assets of the Church Extension Fund. There will be subsequent issues of securities which, when issued, will have equal rank with securities heretofore issued and those issued hereunder. The Church Extension Fund has the authority and power to issue its Notes and evidences of indebtedness without any express limitation as to amount. The holders of all of its Notes and other instruments of indebtedness are "unsecured creditors" of the Church Extension Fund and, as such, they have such rights as are extended by the law to unsecured creditors in the event of any default. There is no "sinking fund" for repayment. Historically, the Church Extension Fund has been able to meet obligations from the principal and interest it receives on its outstanding loans and from available reserves. Cash and liquid assets equal to ten percent (10%) of the value of the total Notes outstanding is maintained as a reserve for the payment of interest and the redemption of Notes.

PLAN OF DISTRIBUTION

The primary means for offering the Notes is through promotional brochures and Offering Circulars distributed to each congregation in the Michigan District and mailed directly to current investors. Promotional material is also published in regional church publications. In addition, promotional material is distributed at church conferences, conventions, retreats and seminars.

A representative of the Church Extension Fund also may discuss the nature and purpose of the work of the Church Extension at District meetings or at congregational services or gatherings.

Advertising materials contain a toll-free telephone number (800-242-3944) which a prospective investor may use to call and request an Offering Circular. A second toll-free telephone number (800-232-7313) available 24 hours per day, seven days a week is provided for current or prospective investors with a recorded message of our current rates of interest offered on investments. A CEF homepage for the Internet containing its Offering Circular, Application Form and promotional information is available to existing and prospective Investors at www.mi-cef.org. No offers to purchase will be accepted prior to the time that an investor has signed an application acknowledging receipt of an Offering Circular.

There are no underwriters participating and there are no selling agreements in the distribution of the securities offered. No direct or indirect commissions or other remuneration will be paid to any individuals or organizations in connection with the offer and sale of the Notes described within this Offering Circular.

TAX ASPECTS

Investors will not receive a charitable deduction upon the purchase of a Note. The interest paid or payable on the Notes will be taxable as ordinary income to the holder in the year it is paid or accrued. Thus, as to interest accrued over the life of a Note, to be paid at the maturity date, all investors must report such interest as income on their Federal income tax returns and State income tax returns, if applicable, ratably over the life of the Note as interest accrues. Investors may also be liable for other state and local taxes in the state or locality in which they reside. Transferability of the Notes is limited and it is unlikely that there would be a sale or exchange of a Note. See “Transferability and Early Redemption” on page 15. Upon a transfer, however, the seller generally would report either short-term or long-term gain or loss, depending upon the length of time held, the gain or loss being equal to the difference between the purchase price and the amount received upon sale or exchange, less previously accrued interest. Purchasers who hold Notes until their maturity will not be taxed on the return of the principal purchase price or on the payment of previously accrued and taxed interest. Any excess will be interest income.

An individual investor (or a husband and wife together) who has (have) invested or loaned more than \$250,000 in aggregate with or to Synodical Corporations (District, District CEFs, colleges and seminaries, LCEF, and other Synodically controlled organizations) may be deemed to receive additional taxable interest under Section 7872 of the Internal Revenue Code. Such investors should consult their tax advisors to be informed of the special income tax rules applicable to loans and investments, in the aggregate, greater than \$250,000.

Federal law requires Church Extension Fund to withhold the current backup withholding percentage from any interest payment paid by Church Extension Fund if the Investor has not properly furnished a certified Taxpayer Identification Number (“TIN”) and has not certified that withholding does not apply. If the Internal Revenue Service (“IRS”) has notified Church Extension Fund that the TIN listed on an Investor’s Account is incorrect according to its records, Church Extension Fund is required by the IRS to withhold a certain percentage of any interest payment. Amounts withheld are applied to the Investor’s Federal tax liability, and a refund may be obtained from the IRS if withholding results in overpayment of taxes.

The Church Extension Fund will notify investors of interest earned (totaling \$10.00 or more) by sending them IRS Tax Form 1099 by January 31st of each year. Investors who choose to contribute their earnings for certain operating programs of the District or Synod also will receive IRS Tax Form 1099 which will report all earnings, including any amounts contributed for certain operating programs of the District or Synod. Contributed amounts would, however, constitute a charitable contribution for those investors who are able to itemize deductions.

Church Extension Fund suggests investors consult their tax advisor for the proper reporting of income earned from various CEF investments.

LITIGATION & MATERIAL TRANSACTIONS

To the best of its knowledge, Church Extension Fund of the Michigan District of the Lutheran Church–Missouri Synod is not aware of any action, proceeding, inquiry, or investigation, either pending or threatened material legal proceedings, neither known or contemplated by governmental authorities, administrative bodies, or other administrative persons to which the Church Extension Fund may become a party. For the prior five fiscal years, there has been no material litigation involving any Church Extension Fund Trustee or Officer pertaining to his/her duties as a Trustee or Officer. There are no known other transactions or other matters that may materially affect the offering of investment Notes.

MANAGEMENT

Structure

The Church Extension Fund of the Michigan District of the Lutheran Church–Missouri Synod is incorporated under the laws of the State of Michigan as a Church Trustee Corporation. Powers relating to “property” are defined by Michigan law including:

“Trustees of Church Trustee Corporations may, in their corporate name, take and hold all property, real and personal, devised, bequeathed, transferred or conveyed to them for the use and benefit of the religious denomination by whose representative body they are appointed.” MCL 450.161

Further, State law permits a Church Trustee Corporation the following powers of “investment.”

“Trustees of Church Trustee Corporations may, in their corporate name, invest and reinvest the property in their hands and under their control as such trustees, collect the rents, issues and profits thereof, and out of the same pay the taxes, repairs, insurance and other expenses incident to the care thereof . . .” MCL 450.162

Purpose

The purpose of the Church Extension Fund, as defined by its Bylaws, is to administer a fund and acquire assets to assist by loans, grants, or otherwise the Michigan District of the Lutheran Church–Missouri Synod, congregations of the Michigan District, individuals serving as professional church workers within the Michigan District, LCMS schools and colleges, entities and associations qualifying as Michigan District recognized service organizations, entities and associations qualifying as Lutheran Church–Missouri Synod recognized service organizations, and entities owned and/or operated by member congregations.

The Church Extension Fund may also assist other LCMS Districts, through their respective Church Extension Funds, by purchasing or participating, in whole or in part, in loans or investments of other LCMS Districts or the Lutheran Church Extension Fund of the LCMS. The purpose for which funds and assistance may be provided shall include, but not limited to, acquire property, erecting buildings, purchasing equipment, acquiring housing and supporting projects and the operations of the above. The primary purpose, however, of the Church Extension Fund shall be to contribute to the ministry and purposes of the Michigan District and its member congregations.

MANAGEMENT

(Continued)

Board of Trustee Membership

The Church Extension Board of Trustees shall consist of nine (9) elected trustees. The elected trustees shall consist of three (3) persons duly rostered in the LCMS through the Michigan District, and six (6) laypersons. They are elected by the Michigan District of the Lutheran Church–Missouri Synod at its regular convention held tri-annually.

Elections of trustees to fill the places of those whose terms of office expire take place at the last regular convention of the Michigan District of the Lutheran Church–Missouri Synod, occurring prior to the expiration of the terms of their predecessors. Approximately one-half of the trustees are elected at each convention of the Michigan District.

The trustees are elected for a term of six (6) years. They may be elected for two (2) consecutive terms, after which a period of three (3) years shall elapse before they are again eligible for election as trustees.

Vacancies caused by death, resignation, removal, declination to serve or otherwise, may be filled by the remaining trustees, subject to ratification by the Board of Directors of the Michigan District of the Lutheran Church–Missouri Synod.

All trustees elected at the convention are inducted into office in an installation ceremony at the convention and begin their terms of office on the first of October following induction.

Organization

The trustees of the Church Extension Fund elect a Chairman, a Vice-Chairman, a Secretary, a Treasurer, and appoint such other officers and subcommittees as it considers necessary for the efficient conduct of its business.

Trustees serve without compensation. They do receive, however, reimbursement for travel expenses in connection with authorized Board business.

There are no material employment contracts, prerequisite of employment or conflicts of interest of the Church Extension Fund's officers, trustees, or other persons having authority over the administration of the Fund.

No Trustee or Officer has been convicted of any criminal proceeding in the past ten years (other than for traffic violations or other minor misdemeanors), is the subject of any pending criminal proceedings, or was the subject of any order, judgement or decree of any court enjoining such person from any activities associated with the offer or sale of securities.

Administration

Church Extension Fund management includes a President & CEO, who is responsible for managing all of the Fund's activities; a Senior Vice-President & CFO, who serves as the office operations manager; and a Vice-President for Marketing, who supervises the promotional activities and solicits investments from members and organizations of the Michigan District. The Assistant Vice-President serves as the assistant office operations manager and also holds responsibility for managing computer systems. A general office staff consisting of approximately nine other individuals are also employed.

Additional staff may be hired and paid at the discretion of the management as deemed necessary for the efficient operation of the Fund. Employees participate in the pension plan of the Lutheran Church–Missouri Synod, to which the Fund contributes in their behalf. Employees are provided health care through another private insurer. A flexible spending plan of benefits is offered the Church Extension employees giving them the option of receiving \$3,200 per year in additional compensation in lieu of health care coverage.

The four officers of the Church Extension Fund, in positions as President & CEO, the Senior Vice President & CFO, Vice President-Marketing, and the Assistant Vice-President received direct and indirect remuneration in the aggregate of \$567,205; only the President & CEO received total direct and indirect remuneration in excess of \$150,000 as shown below:

	Aggregate	Pres. & CEO
Salary	\$461,300	\$165,400
Compensation in lieu of health insurance	\$ 3,200	\$ 0
Health Insurance	\$ 41,477	\$ 16,945
Retirement Plans	\$ 41,978	\$ 19,875
Disability	\$ 9,528	\$ 3,713
Term Life Insurance	\$ 3,966	\$ 1,496
Personal Use of Company Owned Automobile	\$ 5,756	\$ 3,470
Total Direct & Indirect Remuneration	\$567,205	\$210,899

Compensation of the officers is in no way related to or contingent upon the sale of securities.



Church Extension Fund

800-242-3944 www.mi-cef.org

TRUSTEES

Chairman

Mr. James R. Saalfeld, born March 23, 1967, is a business lawyer and founder of Saalfeld Law Offices, PLLC, Grand Rapids, Michigan. He is a member of Immanuel Lutheran Church, Grand Rapids, Michigan. His term Expires in 2015.

Vice-Chairman

Rev. Michael J. Lutz, born April 17, 1946, is Senior Pastor of Immanuel Lutheran Church, Macomb, Michigan. His term expires in 2012.

Treasurer

Mr. David C. Vallie, born May 16, 1962, is Senior Vice President for Morgan Stanley, Flint, Michigan. He is a member of Faith Lutheran Church, Grand Blanc, Michigan. His term expires in 2015.

Secretary

Mr. Ian K. McDonald, born December 4, 1951, is Director of Guidance at Lutheran High School Northwest, Rochester Hills, Michigan. He is a member of Living Word Lutheran Church, Rochester, Michigan. His term expires in 2012.

Additional Board Members

Rev. Robert B. Appold, born March 21, 1957, is Pastor of St. Matthew Lutheran Church, Ada, Michigan. His term expires in 2015.

Mr. Joseph R. Carabell, born July 31, 1961, is President of Carabell, Leslie & Company, PC, Certified Public Accountants, Mount Clemens, Michigan. He is a member of Trinity Lutheran Church, Utica, Michigan. His term expires in 2015.

Rev. Joel F. Hoyer, born July 16, 1959, is Pastor of Grace Lutheran Church, Coopersville, Michigan. His term expires in 2012.

Mr. Julian Petzold, born January 13, 1971, is Principal of Trinity Lutheran School, Mt. Clemens, Michigan. His term expires in 2015.

Mr. Ray A. Seppamaki, born October 1, 1946, is a licensed Real Estate Salesperson, Grand Rapids, Michigan. He is a member of Grace Lutheran Church, Coopersville, Michigan. His term expires in 2012.

OFFICERS

President & Chief Executive Officer

Mr. Ronald L. Steinke, born January 14, 1952, has served since 1994 as the President & Chief Executive Officer. Prior to Mr. Steinke's employment with the Church Extension Fund, he held various bank lending and management positions spanning twenty years. His last bank position was as Regional Vice President in charge of all retail lending, including mortgages, installments, charge cards, compliance and CRA (Community Reinvestment Act). He is a member of Shepherd of the Lakes Lutheran Church, Brighton, Michigan. His e-mail address is ron.steinke@mi-cef.org

Senior Vice-President & Chief Financial Officer

Mr. John H. Bates, born April 26, 1961, has been employed by the Fund since 1984 and serves as the Office Manager. Mr. Bates' career of over twenty years with the Church Extension Fund began when he was hired as an Accountant. He is a member of St. Paul Lutheran Church, Ann Arbor, Michigan. His e-mail address is john.bates@mi-cef.org

Vice-President - Marketing

Mr. Paul R. Wills, born May 06, 1949, has served in the areas of promotion and marketing the Fund since 2001. Previously, Mr. Wills was employed by the LCMS Foundation from 1993-2001 as a Gift Planning Counselor and as a Regional Vice President. Prior to that he taught in Lutheran High Schools for twenty-two years. He is a member of Emmanuel Lutheran Church, Britton, Michigan. His e-mail address is paul.wills@mi-cef.org

Assistant Vice-President

Mr. Stephen R. Perrault, born May 15, 1966, has been employed by the Fund since 1989. Mr. Perrault has served in data entry and accounting. Currently, he is responsible for systems management and also serves as the assistant office manager. Mr. Perrault is a member of St. Paul Lutheran Church, Ann Arbor, Michigan. His e-mail address is steve.perrault@mi-cef.org

FINANCIAL STATEMENTS

The financial statements of the Church Extension Fund have been audited by the firm of BDO Seidman LLP, 99 Monroe Avenue, NW, Suite 800, Grand Rapids, Michigan 49503-2698. Copies of the audited Financial Statements are given to the members of the Church Extension Fund Board of Trustees and the Board of Directors of the Michigan District annually. Current audited financial statements will be made available to investors upon written request, and will be mailed to them within 120 days of the Church Extension Fund's last fiscal year end. The audited financial statements for the years 2008 through 2010 follow on pages 19-34.



Independent Auditors' Report

The Board of Trustees
Church Extension Fund of the Michigan District
of the Lutheran Church - Missouri Synod
Ann Arbor, Michigan

We have audited the accompanying statements of financial position of the Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod (Church Extension Fund) as of December 31, 2010, 2009 and 2008, and the related statements of activities, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Church Extension Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church Extension Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Church Extension Fund at December 31, 2010, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

March 8, 2011

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Statements of Financial Position

<i>December 31,</i>	2010	2009	2008
Assets (Note 2)			
Cash and cash equivalents			
Demand and savings deposits	\$ 1,858,572	\$ 1,799,242	\$ 505,517
Money market fund	2,082,775	1,217,743	1,336,972
Total cash and cash equivalents	3,941,347	3,016,985	1,842,489
Deposits and investments			
Other deposits and investments (Note 3):			
Certificates of deposit	6,671,600	6,019,237	4,948,849
U.S. government and agency securities	20,367,167	17,572,883	20,617,857
Corporate bonds	29,528,345	27,024,968	23,854,112
Mutual funds	3,189,449	2,884,764	1,855,254
Investment notes in the Lutheran Church Extension Fund - Missouri Synod	1,000,000	4,000,000	4,000,000
Investment in Lutheran Church - Missouri Synod Foundation	7,266,999	3,156,685	939,283
Total deposits and investments	68,023,560	60,658,537	56,215,355
Loans receivable (Notes 6 and 10)			
Congregations	168,641,355	171,371,400	173,746,705
Michigan District of the Lutheran Church - Missouri Synod	3,273,472	2,543,731	2,236,351
Recognized service organizations and schools	23,939,583	20,587,669	18,484,311
Land contracts	415,658	495,421	570,845
	196,270,068	194,998,221	195,038,212
Less allowance for possible loan losses	(1,800,000)	(1,800,000)	(1,100,000)
Net loans receivable	194,470,068	193,198,221	193,938,212
Accrued interest			
Advance mission sites and real estate owned	1,638,493	1,650,102	1,737,170
Equipment and automobiles, net of accumulated depreciation	5,730,436	5,541,340	6,206,228
Other assets	152,686	168,049	191,633
Other assets	25,885	24,631	24,831
Total Assets	\$ 273,982,475	\$ 264,257,865	\$ 260,155,918

**Church Extension Fund of the Michigan District
of the Lutheran Church - Missouri Synod**

Statements of Financial Position

<i>December 31,</i>	2010	2009	2008
Liabilities and Net Assets (Note 2)			
Liabilities			
Notes payable (Note 4):			
Fixed rate notes:			
Demand	\$ 113,004	\$ 113,803	\$ 112,930
Term	146,666,890	149,203,896	150,910,205
Variable rate notes:			
Demand	33,454,445	27,044,426	26,605,081
Term	45,887,880	43,460,094	41,489,554
Savings stamps	138,615	136,970	141,024
Total notes payable	226,260,834	219,959,189	219,258,794
Accounts payable and accrued expenses	25,671	51,674	100,769
Total Liabilities	226,286,505	220,010,863	219,359,563
Commitments and Contingencies (Notes 5, 6, 7, 8 and 9)			
Net Assets (Note 11)			
Unrestricted:			
Undesignated	42,125,146	38,955,162	36,014,568
Board designated - endowment fund	5,156,939	4,823,830	4,272,030
Total unrestricted	47,282,085	43,778,992	40,286,598
Temporarily restricted - endowment fund	201,885	256,010	297,757
Permanently restricted - endowment fund	212,000	212,000	212,000
Total Net Assets	47,695,970	44,247,002	40,796,355
Total Liabilities and Net Assets	\$ 273,982,475	\$ 264,257,865	\$ 260,155,918

See accompanying notes to financial statements.

**Church Extension Fund of the Michigan District
of the Lutheran Church - Missouri Synod**

Statements of Financial Activities

<i>Year ended December 31,</i>	2010	2009	2008
Revenues and Other Support			
Interest income:			
Interest on loans	\$ 9,324,066	\$ 9,915,990	\$ 10,843,432
Investment income	2,335,534	2,407,816	2,835,432
Total interest income	11,659,600	12,323,806	13,678,864
Interest expense	(6,628,195)	(7,893,895)	(9,358,801)
Net interest income	5,031,405	4,429,911	4,320,063
Provision for loan losses	-	(739,205)	-
Net interest income after provision for loan losses	5,031,405	3,690,706	4,320,063
Other operating income (loss):			
Net realized gain (loss) on sale of investments	306,310	95,793	(405,160)
Net gain (loss) on disposal of fixed assets and advance mission sites	(305,331)	-	4,013
Impairment on advance mission sites	(212,131)	(664,887)	-
Miscellaneous	66,321	62,424	51,695
Total other operating loss	(144,831)	(506,670)	(349,452)
Total Revenues and Other Support	4,886,574	3,184,036	3,970,611
Expenses			
Program expenses:			
Salaries and employee benefits	1,199,163	1,136,748	1,031,445
Promotion	312,526	350,306	323,528
Depreciation	62,426	66,544	55,434
Office	310,046	296,006	283,210
Carrying costs on advance mission sites	100,358	93,625	101,676
Miscellaneous	137,803	120,659	108,762
Total program expenses	2,122,322	2,063,888	1,904,055
Operating income	2,764,252	1,120,148	2,066,556

**Church Extension Fund of the Michigan District
of the Lutheran Church - Missouri Synod**

Statements of Financial Activities

<i>Year ended December 31,</i>	2010	2009	2008
Other Income (Expense)			
Net unrealized gain (loss) on investments	\$ 858,470	\$ 2,534,302	\$ (2,262,821)
Donations and bequests received	184,940	33,071	70,876
Endowments disbursed to Lutheran organizations	(304,569)	(195,127)	(209,265)
Total Other Income (Expense)	738,841	2,372,246	(2,401,210)
Increase (decrease) in unrestricted net assets	3,503,093	3,492,394	(334,654)
Net Assets - Unrestricted, beginning of year	43,778,992	40,286,598	40,621,252
Net Assets - Unrestricted, end of year	\$ 47,282,085	\$ 43,778,992	\$ 40,286,598

See accompanying notes to financial statements.

**Church Extension Fund of the Michigan District
of the Lutheran Church - Missouri Synod**

Statements of Changes in Net Assets

<i>Year ended December 31,</i>	2010	2009	2008
Increase (decrease) in unrestricted net assets	\$ 3,503,093	\$ 3,492,394	\$ (334,654)
Temporarily restricted net assets			
Contributions	-	-	200,000
Investment income	13,830	16,944	18,998
Net assets released from restrictions	(67,955)	(58,691)	(7,995)
Increase (decrease) in temporarily restricted net assets	(54,125)	(41,747)	211,003
Total changes in net assets	3,448,968	3,450,647	(123,651)
Net Assets, beginning of year	44,247,002	40,796,355	40,920,006
Net Assets, end of year	\$ 47,695,970	\$ 44,247,002	\$ 40,796,355

See accompanying notes to financial statements

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Statements of Cash Flows

<i>Year ended December 31,</i>	2010	2009	2008
Operating Activities			
Total changes in net assets	\$ 3,448,968	\$ 3,450,647	\$ (123,651)
Adjustments to reconcile total changes in net assets to net cash from operating activities:			
Depreciation	62,426	66,544	55,434
Provision for loan losses	-	739,205	-
Provision for real estate losses	212,131	664,887	-
Net realized and unrealized loss (gain) on investments	(1,164,780)	(2,630,095)	2,667,981
Accretion of premium on investments	(364,105)	(41,853)	(631,571)
Loss (gain) on disposal of property and equipment	305,331	-	(4,013)
Decrease (increase) in accrued interest	11,609	87,068	(280,442)
Decrease (increase) in other assets	(1,255)	201	11,241
Decrease in accounts payable and accrued expenses	(26,003)	(49,095)	(67,201)
Net cash from operating activities	2,484,322	2,287,509	1,627,778
Investing Activities			
Proceeds from sales and maturities of investments	27,245,604	29,227,737	28,827,267
Purchases of investments	(33,081,741)	(30,998,971)	(34,091,378)
Proceeds from loan payments	11,273,373	11,612,983	15,247,733
Loan disbursements	(13,522,666)	(11,612,197)	(13,272,200)
Proceeds from sale of property and equipment and advance mission sites	455,600	-	53,200
Purchases of property and equipment and advance mission sites	(231,775)	(42,960)	(719,087)
Net cash for investing activities	(7,861,605)	(1,813,408)	(3,954,465)
Financing Activities			
Proceeds from sale of notes	50,282,386	46,649,784	53,710,550
Redemption of notes	(43,980,741)	(45,949,389)	(54,103,795)
Net cash from (for) financing activities	6,301,645	700,395	(393,245)
Net Increase (Decrease) in Cash and Cash Equivalents	924,362	1,174,496	(2,719,932)
Cash and Cash Equivalents, beginning of year	3,016,985	1,842,489	4,562,421
Cash and Cash Equivalents, end of year	\$ 3,941,347	\$ 3,016,985	\$ 1,842,489
Supplemental Disclosure of Cash Flow Information			
Cash paid during the year for interest	\$ 1,199,200	\$ 1,442,664	\$ 1,741,987
Supplemental Noncash Disclosures			
Transfers from loans to other real estate	\$ 977,446	\$ -	\$ -

See accompanying notes to financial statements.

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Notes to Financial Statements

1. Organization

Church Extension Fund (CEF) is a not-for-profit corporation as described in Internal Revenue Code Section 501(c)(3), exempt from federal income taxes as part of a group tax exemption for the Lutheran Church - Missouri Synod, and is a subsidiary Church Trustee Corporation of the Michigan District of the Lutheran Church - Missouri Synod (Michigan District). The Michigan District elects members of the Board of Trustees of the Church Extension Fund.

CEF's operations consist primarily of lending funds to Lutheran congregations and recognized service organizations in Michigan for construction and renovation of church and school facilities. CEF also makes housing loans to Lutheran congregations and recognized service organizations for the benefit of professional church workers. Funds for the loans are provided by borrowings from Lutheran congregations, individuals and organizations, generally in the form of unsecured notes with maturities ranging to five years. Historically, these notes have been renewed at maturity.

CEF maintains an endowment fund with investments designated for use at the Board of Trustees' discretion. The purpose of the endowment fund is to receive contributions and bequests and to use the proceeds to promote CEF's goals. See further discussion of the endowment fund in Note 11.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of CEF have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Net assets of CEF and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets which are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that should be met either by actions of CEF and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations requiring that they be maintained permanently by CEF.

Revenues, contributions and investment income are reported as follows:

- Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Temporarily restricted contributions whose restrictions are satisfied in the same year in which the contribution revenue is recorded are reported as unrestricted contributions.

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Notes to Financial Statements

- Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through March 8, 2011, the date the financial statements were available to be issued. Based on evaluation, there were no matters identified that had a significant impact on the financial statements as presented.

Income Taxes

As discussed in Note 1, CEF is exempt from federal income taxes due to its status as a not-for-profit corporation under Internal Revenue Code Section 501(c)(3). The assertion that income is not subject to tax is considered a tax position that requires evaluation under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, which was adopted by CEF on January 1, 2009. Management has completed the evaluation for the years ended December 31, 2010 and 2009. Adoption of this standard did not impact the financial statements for the years ended December 31, 2010, 2009 or 2008.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand and savings deposits and money market funds.

Concentrations of Credit Risk

CEF maintains its cash in various bank and brokerage accounts, and does not consider there to be a significant credit risk arising from deposits in excess of federally insured limits.

The risk associated with making many large loans is managed by limiting the size of each loan to 20% of net assets. Where congregations request loans in excess of 20% of net assets, the Board of Trustees may obtain participation in the loan from other entities. As of December 31, 2010, 2009 and 2008, loan commitments exceeding 20% of CEF's net assets were outstanding to a single borrower.

Loans

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at the principal balance outstanding, net an allowance for loan losses.

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Notes to Financial Statements

Investments

Investments are carried at aggregate fair value. The specific identification method is used to compute the gain or loss on the sale of investments. Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level yield method without anticipating prepayments.

Equipment and Automobiles

Equipment and automobiles are stated at cost, less allowance for depreciation (\$420,098, \$438,018 and \$371,474, at December 31, 2010, 2009 and 2008, respectively). The provision for depreciation is computed on the straight-line method based upon the estimated life of the assets (2 to 15 years). Expenditures for maintenance and repairs are charged to expense as incurred.

Advance Mission Sites

Advance mission sites are real property to be used as sites for the possible future construction of church and school facilities. Such advance sites are acquired in areas in which it is anticipated that there will be growth in the Lutheran population. These sites are carried at the lower of cost or appraised value.

Interest Recognition

Interest on loans is accrued and credited to operations based upon the principal amount outstanding. The accrual of interest is generally discontinued when a loan becomes six months past due as to principal and interest, and the likelihood of collection might be questionable.

Allowance for Possible Loan Losses

CEF periodically reviews the adequacy of the allowance for loan losses based on the loss exposure believed to exist. The loans are secured by the land and buildings for which the loan was advanced. Charge-offs amounted to \$9,898 and \$39,205 in 2010 and 2009, respectively. There were no charge-offs in 2008. There were no recoveries in 2010, 2009 or 2008.

Advertising

CEF expenses advertising costs as incurred. Advertising expenses amounted to \$105,705, \$113,666 and \$132,846 in 2010, 2009 and 2008, respectively.

Fair Value Measurements

CEF measures certain financial and nonfinancial assets and liabilities at fair value in accordance with the provisions of FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. See Note 10 for further discussion of these fair value measurements.

3. Investments

The market value of certificates of deposits, U.S. government and agency securities, and corporate bonds at December 31, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Notes to Financial Statements

obligations with or without call or repayment penalties. High-grade mortgage-backed securities, which are not due at a single maturity date, are shown separately.

	2010	2009	2008
Due in 1 year or less	\$ 9,081,351	\$ 7,306,925	\$ 5,447,659
Due after 1 year - 5 years	23,651,855	22,070,070	17,865,537
Due after 5 years - 10 years	10,336,861	8,442,997	10,963,732
Due after 10 years	204,682	483,522	1,016,827
	43,274,749	38,303,514	35,293,755
Mortgage-backed securities	13,292,363	12,313,574	14,127,063
	\$ 56,567,112	\$ 50,617,088	\$ 49,420,818

4. Notes Payable

The notes at December 31, by maturity, are shown below. CEF intends to pay these redemptions from repayments of loan principal expected to be received for the same periods and with proceeds from additional notes issued.

Future scheduled maturities of long-term debt are as follows:

Year ending December 31,

Demand	\$	33,706,064
2011		73,625,644
2012		42,721,273
2013		22,876,514
2014		17,161,730
2015		30,764,832
2016 - 2020		1,955,623
2021 - 2025		3,363,520
2026 - 2030		85,634
Total	\$	226,260,834

Interest rates on outstanding notes payable range from 0.75% to 7.5%.

5. Loan Commitments

In the normal course of business, there are outstanding loan commitments (primarily secured by real estate mortgages) which are not reflected in the financial statements. Such loan commitments approximated \$10.5 million at December 31, 2010. Management does not anticipate any losses as a result of these commitments.

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Notes to Financial Statements

6. Impaired Loans

CEF considers a loan impaired when it is restructured and when, based on current information and events, it is probable that CEF will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the original loan agreement. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

At December 31, 2010, 31 loans with a current carrying amount totaling approximately \$40,991,000 were considered impaired, including 8 loans with a current carrying value of \$8,337,000 that were restructured during the period. No impairment charges were recognized on these loans during 2010. At December 31, 2009, 31 loans totaling approximately \$40,034,000 were considered impaired, including 20 loans with a carrying value of \$31,482,000 that were restructured during the period. Impairment charges of approximately \$767,000 were recognized during 2009. At December 31, 2008, 15 loans with carrying amounts totaling approximately \$12,854,000 were considered impaired. All of these were restructured during the period. The impaired value of these loans was not significantly different than their carrying value.

7. Line of Credit

During 2009, CEF entered into an unsecured line of credit agreement with Ann Arbor State Bank totaling \$4 million. This line of credit bears interest at the prime rate (effectively 3.25% at December 31, 2010). The line of credit is available for general operating purposes. The line of credit had no balance outstanding at December 31, 2010 or 2009.

At December 31, 2008, CEF had an unsecured line of credit agreement with Key Bank totaling \$4 million. This line bore interest at 1.75% above the prime rate, and had no balance outstanding at December 31, 2008.

In addition, CEF opened a line of credit with Morgan Stanley in August 2008. Borrowings under the line of credit are collateralized by securities held at Morgan Stanley. The interest rate is negotiated at the time the line is accessed. The line of credit is available for general operating purposes. The line of credit had no balance outstanding at December 31, 2010, 2009 or 2008.

8. Pension Plan

Full-time employees of CEF are eligible to participate in a defined contribution pension plan of the Lutheran Church - Missouri Synod, a multi-employer plan. Pension expense is funded as amounts are earned and was approximately \$67,000, \$54,000 and \$46,000 in 2010, 2009 and 2008, respectively.

9. Pledge Commitment

In connection with the fundraising campaign of the Michigan District, CEF pledged in 2005 to match campaign donations received by the Michigan District at a ratio of 10%, paid in increments of \$100,000 up to a total contribution of \$1,000,000. To date, \$300,000 of matching contributions have been made.

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Notes to Financial Statements

CEF has also pledged to pay \$350,000 toward the program costs of the fundraising campaign and has paid that pledge in full as of December 31, 2010.

10. Fair Value Measurements

Recorded book value approximates fair value for all financial instruments except for discounted and 0% interest loans issued in accordance with normal operating policies. Fair values are estimated using interest rates currently being offered for loans with similar terms. The carrying amount of these loans exceeded their fair value by approximately \$150,000, \$185,000 and \$277,000 at December 31, 2010, 2009 and 2008, respectively.

CEF implemented ASC Topic 820 relating to its financial assets and liabilities effective January 1, 2008, and relating to certain nonfinancial assets and liabilities effective January 1, 2009. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that CEF has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be derived from or corroborated by observable market data by correlation or other means.

Level 3 - Significant unobservable inputs that reflect CEF's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of CEF's valuation methodologies used to measure and disclose the fair values of CEF's financial assets and liabilities on a recurring or nonrecurring basis:

Investments. Investments in mutual funds, U.S. government agency bonds, mortgage-backed securities and corporate bonds are recorded at fair value on a recurring basis. Fair value measurement is based on quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models. Level 1 securities include mutual funds. Level 2 securities include U.S. Government Agency bonds and mortgage-backed securities issued or guaranteed by U.S. Government Agencies, as well as corporate bonds. CEF has no Level 3 securities.

Loans. CEF does not record loans at fair value on a recurring basis. However, from time to time, CEF records nonrecurring fair value adjustments to impaired loans that have been restructured and result in partial write-downs that are based on a discounted cash flow analysis of the terms of the restructured loan. These loans are reported in the nonrecurring table below, and are considered Level 3 fair value measurements.

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Notes to Financial Statements

Advance Mission Sites and Real Estate Owned. CEF does not record its investment in these sites at fair value on a recurring basis. However, from time to time, CEF records nonrecurring fair value adjustments to sites where recent appraised values are lower than CEF's original cost. These sites are reported in the nonrecurring table below, and are considered Level 2 fair value measurements.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The balances of assets and liabilities measured at fair value on a recurring basis are as follows:

<i>December 31, 2010</i>	Total	Level 1	Level 2	Level 3
U.S. government agency	\$ 20,367,167	\$ -	\$ 20,367,167	\$ -
Corporate bonds	29,528,345	-	29,528,345	-
Mutual funds	3,189,449	3,189,449	-	-
Total	\$ 53,084,961	\$ 3,189,449	\$ 49,895,512	\$ -

<i>December 31, 2009</i>	Total	Level 1	Level 2	Level 3
U.S. government agency	\$ 17,572,883	\$ -	\$ 17,572,883	\$ -
Corporate bonds	27,024,968	-	27,024,968	-
Mutual funds	2,884,764	2,884,764	-	-
Total	\$ 47,482,615	\$ 2,884,764	\$ 44,597,851	\$ -

<i>December 31, 2008</i>	Total	Level 1	Level 2	Level 3
U.S. government agency	\$ 20,617,857	\$ -	\$ 20,617,857	\$ -
Corporate bonds	23,854,112	-	23,854,112	-
Mutual funds	1,855,254	1,855,254	-	-
Total	\$ 46,327,223	\$ 1,855,254	\$ 44,471,969	\$ -

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The balances of assets and liabilities measured at fair value on a nonrecurring basis are as follows:

<i>December 31, 2010</i>	Total	Level 1	Level 2	Level 3
Loans	\$ 8,337,000	\$ -	\$ -	\$ 8,337,000
Advance mission sites and real estate owned	378,900	-	378,900	-
Total	\$ 8,715,900	\$ -	\$ 378,900	\$ 8,337,000

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Notes to Financial Statements

<i>December 31, 2009</i>	Total	Level 1	Level 2	Level 3
Loans	\$ 31,482,000	\$ -	\$ -	\$ 31,482,000
Advance mission sites and real estate owned	1,053,500	-	1,053,500	-
Total	\$ 32,535,500	\$ -	\$ 1,053,500	\$ 31,482,000

<i>December 31, 2008</i>	Total	Level 1	Level 2	Level 3
Loans	\$ 12,854,000	\$ -	\$ -	\$ 12,854,000
Advance mission sites and real estate owned	-	-	-	-
Total	\$ 12,854,000	\$ -	\$ -	\$ 12,854,000

11. Endowment Fund

In August 2008, the FASB issued new guidance, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, now codified in ASC Topic 958 (ASC 958). ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Michigan enacted UPMIFA effective September 10, 2009, the provisions of which apply to endowment funds existing on or established after that date. CEF has adopted ASC 958 for the year ended December 31, 2009. CEF has determined that the majority of its permanently restricted net assets meet the definition of endowment funds under UPMIFA.

CEF's endowment consists of approximately five individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

CEF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CEF classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment.

Investment Return Objectives, Risk Parameters and Strategies. CEF has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Notes to Financial Statements

maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.0%, while growing the funds if possible. Therefore, CEF expects its endowment assets, over time, to produce an average rate of return of approximately 6.0% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. CEF has a policy of appropriating for distribution each year 4.0% of its Board-designated endowment fund's previous year-end investment balance, and distributing only the interest earnings of the donor-restricted endowment funds. In establishing this policy, CEF considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. CEF expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 2.0% annually. This is consistent with CEF's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund is as follows:

<i>December 31, 2010</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 201,885	\$ 212,000	\$ 413,885
Board-designated endowment funds	5,156,939	-	-	5,156,939
Total Funds	\$ 5,156,939	\$ 201,885	\$ 212,000	\$ 5,570,824

<i>December 31, 2009</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 256,010	\$ 212,000	\$ 468,010
Board-designated endowment funds	4,823,830	-	-	4,823,830
Total Funds	\$ 4,823,830	\$ 256,010	\$ 212,000	\$ 5,291,840

Changes in endowment net assets are as follows:

<i>Year ended December 31, 2010</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment Net Assets, beginning of year	\$ 4,823,830	\$ 256,010	\$ 212,000	\$ 5,291,840
Contributions	184,940	-	-	184,940
Investment income	194,847	13,829	-	208,676
Net appreciation	241,299	-	-	241,299
Amounts appropriated for expenditure	(287,977)	(67,954)	-	(355,931)
Endowment Net Assets, end of year	\$ 5,156,939	\$ 201,885	\$ 212,000	\$ 5,570,824

Church Extension Fund of the Michigan District of the Lutheran Church - Missouri Synod

Notes to Financial Statements

<i>Year ended December 31, 2009</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment Net Assets, beginning of year	\$ 4,272,030	\$ 297,757	\$ 212,000	\$ 4,781,787
Contributions	33,071	-	-	33,071
Investment income	171,030	16,944	-	187,974
Net appreciation	601,214	-	-	601,214
Amounts appropriated for expenditure	(253,515)	(58,691)	-	(312,206)
Endowment Net Assets, end of year	\$ 4,823,830	\$ 256,010	\$ 212,000	\$ 5,291,840

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[This Form to be completed ONLY if Investments are to be registered in the name of a Trust]

CERTIFICATE OF EXISTENCE OF TRUST AND AUTHORITY TO ACT

Name of Trust: _____

Social Security Number/TIN (used for the Trust) : _____

Date of Trust: _____ Date of Last Amendment: _____

or Trust has not been amended

Trustee Information

Name(s) of Trustee(s)

Trustee(s) may act separately.

-OR-

Trustee(s) must act jointly.

The undersigned Trustee(s) and, if the trust is revocable, the above-referenced Grantor(s), hereby certify(ies) to CEF that:

- The information on this form is correct.
- The undersigned Trustee(s) is (are) all of the duly authorized and acting Trustee(s) of this trust.
- The undersigned Trustee(s) has (have) the power under the trust and the applicable law to enter into transactions and issue instructions to CEF concerning the trust.
- Any and all transactions effected and instructions given will be in full compliance with the trust.
- CEF will be informed in writing of any changes in the composition of the Trustees, or any other event which could alter the certifications above.
- CEF is indemnified, jointly and severally, and held harmless, from any liability for effecting transactions pursuant to the instructions given by any of the Trustees so identified on this form.
- CEF is indemnified from all costs (including reasonable attorney fees) incurred as a result of reliance by CEF on this certification or any instructions from the Trustee(s) or any Successor Trustee.
- CEF has not been provided with a copy of the trust instrument, and further, the Trustee(s) agree(s) that CEF will have no responsibility to examine the trust instrument or to ensure the proper application of the trust assets in accordance with the trust instrument.
- The Trustee(s) has (have) entered into an agency agreement with the following entity, which is authorized to act for the Trustee(s) with respect to all investments established for the trust.

(If none, please indicate): _____

X

SIGNATURE of Trustee

Social Security Number

X

SIGNATURE of Trustee

Social Security Number

DATE of SIGNATURE: _____

Do you have Successor Trustees?

Name(s) of Successor Trustee(s)

Successor Trustee(s) may act separately.

-OR-

Successor Trustee(s) must act jointly.

Pay On Death Beneficiary Designation

Information

Completion of the form on the reverse side allows the owner(s) of a Note issued by the Church Extension Fund of the Michigan District of the Lutheran Church–Missouri Synod to name one or more beneficiaries (including individuals, congregations, ministries or any other charities) to whom the Note will be transferred at the death of the owner(s). The following information is offered to assist you in making a beneficiary designation for your Note.

- ◆ If only one beneficiary is named, the named beneficiary will be entitled to the Note on the death of the owner (or on the death of the last owner to die if the Note is jointly owned).
- ◆ If more than one beneficiary is named, the beneficiaries will, at the death of the owner(s), be entitled to that percentage of the Note designated by the owner(s).
- ◆ If a named beneficiary dies before the owner(s), the surviving beneficiaries will, at the death of the owner(s), be entitled to the deceased beneficiary's share of the Note in the proportion that the surviving beneficiaries' designated shares bear to each other.
- ◆ If all of the named beneficiaries die before the owner(s), then at the death of the owner(s), the Note will be transferred to the last surviving owner's estate.

Instructions

1. Individuals who hold Notes in their own names, as distinct from owning such in a Trust, may name one or more beneficiaries to receive the proceeds of the Note upon their death. This is unnecessary if the Note is held in the name of your Trust, as the Trust itself governs ownership upon death.
2. In order to make the designation, all owners of the Note must sign this form. If the spouse of any owner is not also an owner of the Note, that spouse must complete the Spousal Consent.
3. This beneficiary form will not be effective until it is properly completed and signed by all owners.
4. If you wish to name more than four beneficiaries, call the Church Extension office for assistance.
5. Beneficiaries may be changed or revoked in writing by the owner(s) at any time.
6. Naming beneficiaries does not affect the owner's right to interest payments or to redeem the Note at maturity.

For additional assistance, call the Church Extension office toll-free: **800-242-3944**

3773 Geddes Road
Ann Arbor, Michigan 48105-3098

7 Account Provisions

By signing this application, I affirm that:

- I am of legal age and have received a current Offering Circular of the Church Extension Fund of the Michigan District of the Lutheran Church-Missouri Synod.
- Prior to receipt of the Offering Circular, I was a member of, contributor to or participant in The Lutheran Church-Missouri Synod or any district or other program, activity or organization which constitutes a part of the Synod or any of its districts or I was an ancestor, descendant or successor in interest to such person.
- I understand that the Electronic Feature(s) selected will remain in effect until revoked in writing. I authorize CEF to initiate any correcting debit or credit that may be necessary. I understand that the amount of interest from my account that is deposited into my checking account may vary due to a change in the interest rate, account balance, or number of days in the payment period.

Additional ExtensionPlus Account Provisions:

- In authorizing either owner to sign Redemption Checks, I hereby authorize CEF to accept any order of redemption from any ExtensionPlus owner.
- If I selected the VISA[®] Check Card feature, (i) I hereby certify that the information provided below is correct, and (ii) I hereby authorize CEF to accept any such order of redemption from any ExtensionPlus Account owner.



8 ExtensionPlus Checkwriting Terms & Conditions

Each person signing in Section 6 above (an "Applicant") certifies that his or her signature thereon represents such Applicant's legal signature. Each Applicant guarantees the genuineness of any other Applicant's signature appearing in Section 6. The Church Extension Fund ("CEF"), from which Applicant's checks are to be paid, and UMB Bank, n.a. or its bank affiliates (collectively, the "Bank") and any of their successors are authorized to recognize such signature in the payment of checks, drafts and other instruments ("Checks") against Applicant's investment account ("Account"), **any (I) of the signatures in Section 6 above, standing alone, being sufficient.**

Each Applicant agrees to be bound by the Terms and Conditions for Checkwriting (the "Terms"), which may be forwarded to Applicant by Bank from time to time. The Terms may be amended by the Bank, and shall be binding on Applicant and the Account when an Applicant receives notice of any such changes. Each Applicant hereby appoints the Bank as Applicant's agent for purposes of this Checkwriting Account Agreement. The Bank is authorized, upon the presentment of Checks or other electronic debits drawn on the Account (collectively, "Debits"), to transmit such Debits to CEF or its Transfer Agent (as appropriate) as redemption requests to the Account in an amount sufficient to pay such Debits, and to effect their payment. Applicant agrees that Bank may honor electronic payments to or from the Account as authorized by Applicant, when such payments are processed in accordance with law and the applicable payment system rules. Applicant agrees that the Account is subject to the applicable terms and restrictions, including charges for checkwriting and payment processing services, as set forth in the current Offering Circular or in a separate fee schedule.

Applicant agrees that payments made from the Account under this Checkwriting Account Agreement are governed by the laws, including the Uniform Commercial Code, as enacted in the State of Missouri, as amended from time to time. Applicant consents to the jurisdiction of the state or federal courts in Missouri over any dispute or claim arising out of the provision of checkwriting or other payment services under this Agreement. Applicant agrees to examine the statement for the Account promptly. **Applicant agrees to report any claim that a Check or other payment made from the Account was forged, altered, or otherwise not authorized within thirty (30) days of receipt of the statement by any account holder. Failure to notify CEF or the Bank within that time will preclude any claim against CEF and the Bank by reason of any unauthorized or missing signature, alteration, or error of any kind.** In the event CEF or the Bank is deemed liable for any unauthorized payment or any failure to honor a stop payment order that has been properly given, such liability shall not exceed the face amount of the Check or other payment improperly made.

9 VISA[®] Check Card Agreement & Application

Each person signing this application (an "Applicant") for a VISA[®] Check Card (a "Card") applies to UMB Bank n.a. (the "Bank") for a Card as set forth below. Each Applicant understands that the application for a Card is subject to approval by Bank. By submitting this request for a Card, each Applicant authorizes Bank to obtain a credit report on Applicant in connection with this application and from time to time after Applicant receives a Card to verify that Applicant continues to qualify for the Card. Bank may inquire as to the credit, investments and employment history of each Applicant. If this request is approved by Bank and a Card is issued, each Applicant understands that the Card(s) will be mailed to Applicant accompanied by an agreement (the "Cardholder Agreement") setting forth the terms and conditions governing the Card. Applicant understands and agrees that the Card and use of the Card will be governed by the Cardholder Agreement, as amended by the Bank from time to time. Each time an Applicant uses a Card, Applicant authorizes liquidation of assets in the related investment account, so that transactions are settled and Bank receives the proceeds of such liquidations. Applicant understands that the Card is made available solely for the purpose of enabling Applicant to access the proceeds of the related investment assets, and does not involve any extension of credit. This authorization may be terminated by either Bank or by an Applicant by written notification. Applicant understands that Applicant will be responsible for the amount of any transactions authorized by an Applicant, whether or not the transactions have been debited from the related investment account as of the date of such termination.

Applicant understands and agrees that Bank may provide information about the Card and Applicant's use of Card to the company shown on this application, Church Extension Fund, or other service providers, in order to process Card transactions or otherwise provide Card services.

OPTIONAL – Application for VISA[®] Check Card: (please print)

Primary Owner: _____
Mother's Maiden Name: _____
Employer: _____
Length of Employment: _____
Employer's Address: _____

Joint Owner: _____
Mother's Maiden Name: _____
Employer: _____
Length of Employment: _____
Employer's Address: _____

Make checks payable to:

Church Extension Fund
3773 Geddes Road, Ann Arbor, MI 48105-3098

For more information, call 800-242-3944

[Applications for Individual Retirement Account investments require additional forms. Please call 800-242-3944 for information]

1 Account Ownership

(Choose A, B, or C)

A. Sole or Joint One or more owners with full rights of survivorship and not tenants in common; option to list beneficiaries on attached "Pay On Death" form on page A-4

1. _____
First Initial Last

Social Security Number Date of Birth

2. _____
First Initial Last

Social Security Number Date of Birth

3. _____
First Initial Last

Social Security Number Date of Birth

B. Trust Please complete the "Certificate of Existence of Trust and Authority to Act" (Page A-5)

Name of Trust

Social Security Number /TIN

C. Gift to Minor Michigan Uniform Gifts to Minors Act

Minor: First Initial Last

Minor: Social Security Number* Minor: Date of Birth

Custodian: First Initial Last

Custodian: Social Security Number Custodian: Date of Birth

*It is required by the IRS to report interest earnings under the Social Security Number of the minor

2 Type Of Transaction

(Select only ONE)

- New Investment \$ _____
- Name Change: Return original Note and complete "Account Ownership" section
- Exchange: Return original Note and
 - Reinvest ENTIRE proceeds as indicated in "Type of Investment" section
 - Reinvest only \$ _____, as indicated in the "Type of Investment" section and mail check for the difference.

3 Type Of Investment

(Select only ONE)

- Fixed Rate Note _____
(term in months, 3-60)
- Variable Rate Note: (in years)
____ 1-yr ____ 2 1/2-yr ____ 5-yr
- Fixed Rate 2 + 2 Note
(17-month term)
- Dedicated Savings
- Step-Up Rate Note
- ExtensionPlus
 - I/We apply for a VISA® Check Card in addition to receiving checks (Complete the optional Extension-Plus section on page A-2)
- Growth Note _____
(term in years, 6-20)

4 Interest Payment Options

(Select only ONE)

- Accumulate in the account
- Pay by check quarterly or Pay by check monthly
- Electronically transfer: I/We authorize CEF to electronically deposit the interest payments from my new investment to the bank account described on the attached voided check.
 - Send electronically monthly or Send electronically quarterly

5 Investor Information

- I'm a present investor or I'm a NEW investor
- I heard about Church Extension through: CEF Congregation Representative
- a Friend a CEF Brochure/Ad the CEF Website

6 Address & Signatures

Agreement and Social Security Number/TIN Certification ("I" refers to all applicants, whether one or more) By signing below, I hereby apply to open the type of account shown above, and certify that [1] all information provided is true and correct; [2] I have read and affirm each of the applicable Account Provisions in section 7; [3] If opening an ExtensionPlus Account, I understand and agree to the terms, conditions, and agreements found in Checkwriting Terms and Conditions section 8, and if selected, the VISA® Check Card Agreement in section 9 for any electronic feature. Further, under penalties of perjury, I certify that the Social Security or Tax ID number shown for me on this application is correct; and I am a U.S. person (including a U.S. resident alien); and I am not subject to backup withholding because [a] I am exempt from backup withholding, or [b] the IRS has not notified me that I am subject to backup withholding as a result of a failure to report all interest or dividends, or [c] the IRS has notified me that I am no longer subject to backup withholding. Please draw an "X" through the preceding sentence if you ARE currently subject to backup withholding. THE IRS DOES NOT REQUIRE YOUR CONSENT TO ANY PROVISION OF THIS APPLICATION OTHER THAN THE CERTIFICATIONS REQUIRED TO AVOID BACKUP WITHHOLDING.

Street

City State Zip Code

X

SIGNATURE of Account Owner or Trustee

X

SIGNATURE of Joint Owner or Trustee

Date: ____ / ____ / ____

I am a legal resident of the state of _____

Home (____) _____ Work (____) _____

My E-mail Address: _____

My Congregation Name/City: _____

Note: Due to IRS regulations we cannot issue your certificate until your Taxpayer Identification Number is provided and the certification above is signed.

If the primary owner is a minor, the application must be signed by a joint owner or court-designated person.

EXTENSION PLUS: If this is a joint account, ALL persons named in Box 1 above MUST sign this application.

PRIVACY NOTICE

Whether you are an investor in or borrower with the Church Extension Fund, please know that we sincerely value you as our customer and are sensitive to your right of privacy.

This notice describes the Privacy Policy of the Church Extension Fund. As long as our policies and procedures meet your expectations, there is nothing you need to do. This notice is for your information and in keeping with legislation enacted regarding this matter.

What You Should Know

We recognize the importance of keeping information about you secure and confidential. It's important for you to know that, unlike many financial institutions, we do not sell or share any nonpublic personal information with outside marketers. You also need to know that we carefully manage information to give you better service and more convenience.

This document describes CEF's policy with respect to nonpublic personal information, which means personally identifiable information about a customer's current or former relationship with CEF.

Making the Security of Information a Priority

Keeping financial information secure is important. We value your trust and handle information about you with care. We limit access to Customer Information to those persons who need to know that information to provide CEF's investment products and service to you. CEF personnel, and CEF's service providers, having access to Customer Information are required to maintain confidential treatment of information in our files.

We maintain physical, electronic and procedural safeguards that guard Customer Information. We periodically assess new technology for protecting information and upgrade our systems when appropriate.

Collecting Information

We collect and use various types of information in order to serve you. This enables us to help you learn more about investment and other products and services that may be of interest to you.

We collect Customer Information from the following sources:

1. Information you provide to us on applications and through other means, such as your name, address, telephone number, and social security number.
2. Information about your transactions and account experience with us, such as account balance, loan payment history and account activity.
3. Information from a consumer reporting agency, such as information regarding your creditworthiness or credit history. (This currently applies only to ExtensionPlus investors who have applied for or have a check card.)
4. Information obtained from churches, such as congregation name and volunteer activity.
5. Other general information we obtain about you, such as demographic information.

Disclosure of Customer Information in Certain Circumstances

Although we do not share Customer Information with outside marketers, we do share information in certain circumstances in an effort to provide our products and services with greater convenience and more choices, and also as permitted by law.

Sharing information with companies that work with us

We may disclose the Customer Information we collect, as described above, to companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. We may also disclose Customer Information to third party service providers as necessary to process, service and provide access to your investment and loan accounts with CEF in a manner that promotes a good customer experience.

The companies that work on our behalf are contractually obligated to CEF to keep the Customer Information we provide to them confidential, and to use the information only to provide the services we've asked them to perform for you and us.

Disclosing information in other situations

We may also disclose Customer Information to credit reporting agencies and similar organizations, and otherwise when permitted by law. For example, this may include:

- A court order such as a subpoena for information, garnishment, or similar legal process
- A fraud investigation
- Recording of deeds, mortgages and other legal documents in the normal course of lending which become a matter of public record
- An audit or examination

USA Patriot Act

In order to comply with this or any other governmental regulation, CEF may require additional information to verify an investor's identity and disclose same to government agencies as required by law.

Making Sure Information is Accurate

Keeping your account information accurate and up to date is very important. It is helpful to us if you keep us informed of any changes in your personal information, such as change of address, name change, etc. You may request access to and correction of your information by writing *Church Extension Fund, 3773 Geddes Road, Ann Arbor, MI 48105-3098*.

If you have questions, you may contact us by calling 800-242-3944 toll-free during normal business hours.