

**THE SOUTH DAKOTA DISTRICT
Of The Lutheran Church – Missouri Synod
CHURCH EXTENSION FUND**

3501 S. Gateway Blvd., P.O. BOX 89110

SIoux FALLS, SD 57109-9110

(605)-361-1514

OFFERING CIRCULAR/PROSPECTUS

The South Dakota District of the Lutheran Church-Missouri Synod (the “District”) through its Church Extension Fund is offering up to Two Million Dollars (\$2,000,000) of 3-month, 12-month, and 3-year term certificates (“Certificates”) at varying interest rates depending on term of investment as further described within this circular (“Offering”). This offer is made only to persons who are, prior to this Offering, certain Lutheran members who are residents of South Dakota as described on page 15. This Offering shall commence as upon the date indicated below and shall close no later than June 30, 2008. Expenses related to this Offering are anticipated to be less than \$2,500, so the net proceeds to the Church Extension Fund will be \$1,997,500 if the maximum Certificates are sold.

THIS OFFERING IS SUBJECT TO CERTAIN RISKS AND THE CERTIFICATES MAY NOT BE A SUITABLE INVESTMENT FOR EVERYONE AND YOU ARE ENCOURAGED TO THOROUGHLY REVIEW AND UNDERSTAND THIS CIRCULAR, INCLUDING THE RISK FACTORS DESCRIBED ON PAGE 4. YOU ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF CERTIFICATES THAT WOULD BE APPROPRIATE FOR YOU IN RELATION TO YOUR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

THESE SECURITIES ARE EXEMPT FROM REGISTRATION IN SOUTH DAKOTA, PURSUANT TO APPLICATION AND FILING OF THIS OFFERING CIRCULAR WITH THE SECURITIES DIVISION IN SOUTH DAKOTA. 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. 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. REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Offering Circular is June 29, 2007

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

THE CERTIFICATES 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 ANY INVESTOR IN THE CERTIFICATES IS DEPENDENT UPON THE DISTRICT'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE DISTRICT'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE CERTIFICATES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE LUTHERAN CHURCH – MISSOURI SYNOD, OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE LUTHERAN CHURCH.

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 DISTRICT.

SUMMARY

The Church Extension Fund is offering term Certificates at varying interest rates, depending on term and amount of investment. See Description of Certificates on page 13. All proceeds from the issuance of Certificates are kept separate from other assets of the District and separate accounting records are maintained. The size of the Church Extension Fund fluctuates depending upon the number of current Certificates issued. Currently, the Church Extension Fund has approximately 580 investor accounts, totally over \$6,975,000. The proceeds from Certificates are used by the District to offer low interest loans to qualifying congregations and organizations to purchase sites for future expansion, or to build or remodel churches, parsonages, schools and educational units. Currently, Church Extension Fund has approximately 29 loans to congregations in South Dakota totaling over \$5,480,000. All investment and loan policies are approved by the Board and made in accordance with the Bylaws and regulations of the District.

Interest on Certificates is paid quarterly or annually, depending on term of the Certificate, beginning on the date the investment is recorded in the Church Extension Fund's computerized accounting system. Interest, at the option of the investor, is paid by check or accumulated and added to the current balance of the investment. However, a minimum Certificate balance of \$2,000 is required in order to receive interest by check.

The Certificates are not secured by a pledge or mortgage of specific assets. There is no "sinking fund" for repayment. The Church Extension Fund has adopted a policy to maintain a position of

liquidity to meet normal withdrawal requests. Investments in demand type accounts (highly liquid) shall not be less than 10% of the total investor payables in order to provide a safe reserve.

No commissions are paid in connection with efforts to raise funds and no discounts are allowed with approximately \$2,500 to be expended for costs related to this Offering. \$1,997,500 will be available to the Church Extension Fund in the event all Certificates under this Offering are sold.

Fiscal Year ending Jan.14, 2007

Cash, cash equivalents & short term investments		1,527,945
Loans Receivable:		
Unsecured Loans	0.3%	16,265
Secured Loans	<u>99.7%</u>	<u>5,464,981</u>
Total Loans Receivable	100.0%	5,481,246
<i>Loan Delinquencies - % of total</i>	<i>0.00%</i>	
Long Term Investments		2,394,036
Total Assets		9,413,035
Investors Payable (Notes/Certificates):		
3-Month Term	18.6%	1,297,074
12-Month Term	28.7%	2,005,698
3-Year Term	50.1%	3,492,865
3-Month Congregation Term	<u>2.6%</u>	<u>183,214</u>
Total Investors Payable	100.0%	6,978,851
<i>Notes/Certificates Redeemed during year</i>		<i>1,278,512</i>
Other Long Term Debt		0
Total Payables		7,122,103
Net Asset Balance – Unrestricted		
Beginning Balance		2,270,799
CHANGE IN NET ASSETS		20,133
Ending Balance		2,290,932
Total Liabilities and Net Asset Balance		9,413,035

RISKS OF INVESTMENT

Investments in the Church Extension Fund are subject to certain risk factors described as follows:

- 1. Certificates are unsecured and uninsured and repayment of the principal and interest thereon is dependent upon the financial condition of the District and its Church Extension Fund (See Financing and Operational Activities).**
- 2. No sinking fund or trust indenture has been or will be established to ensure or secure repayment of the Certificates.**
- 3. The Church Extension Fund's loans are made primarily to affiliated churches and related religious organization, including local churches, whose ability to repay the loans may depend primarily on contributions they receive from members.**
- 4. No public market exists for the Certificates and none will develop, and therefore, the transferability of the Certificates is limited and restricted (See Description of Certificates).**
- 5. The Church Extension Fund reserves the right to require 30 days notice of any Certificate redemptions (See Description of Certificates).**
- 6. There are no income tax benefits with respect to investments in the Certificates and interest paid or payable on the Certificates is taxed as ordinary income, whether paid in cash or accumulated.**
- 7. The loan policies of the Church Extension Fund for loans to its affiliated churches and its related religious organizations may be less stringent than loan policies of commercial lenders (See Lending Activities).**
- 8. Future changes in federal or South Dakota law may adversely affect the Church Extension Fund's ability to continue to sell its Certificates.**
- 9. 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 (See Lending Activities).**
- 10. Risk of investment in the Certificates may be greater than implied by relatively low interest rates on the Certificates and the Certificates are not insured by any governmental agency or private insurance company.**
- 11. Certificates withdrawn before their maturity date are subject to an interest forfeiture (See Description of Certificates).**
- 12. The Certificates are callable by the District at any time with 60 days notice from the District. Therefore, there is no guarantee that the Certificates will continue to earn interest for the full term as purchased.**
- 13. The Certificates are automatically renewable at the then current interest rate for the term of the original Certificates.**
- 14. Interest rates are subject to change quarterly at the discretion of the Board and investors do not have the right to an automatic increase on a present investment in Certificates.**

HISTORY AND OPERATIONS OF DISTRICT

The South Dakota District of The Lutheran Church-Missouri Synod (“District”) is one of 33 geographic districts of The Lutheran Church-Missouri Synod (“Synod”) located in the United States. The Synod also has two non-geographic Districts, the English District and the SELC District (formerly known as the Synod of Evangelical Lutheran Churches). According to statistics compiled by the Synod, the Synod is one of the three largest Lutheran church bodies in the United States.

The District, formerly known as the South Dakota District of the Evangelical Lutheran Synod of Missouri, Ohio and other States, was established in 1907, with boundaries being determined by the state’s borders. The District is incorporated under the laws of the State of South Dakota as a Not-For-Profit Corporation.

The constitution of The Lutheran Church-Missouri Synod and the applicable provision of the Bylaws governing the Synodical Districts govern this corporation. It is responsible for the work of the Synod in South Dakota. The District is administered by its Board of Directors who along with the District’s officers is elected by representatives of its member congregations at the District’s triennial conventions. The Constitution of Synod is also the Constitution of each District of Synod; however, each District is at liberty to adopt such bylaws and pass such resolutions as it deems expedient for its conditions, provided that such bylaws and resolutions do not conflict with the Constitution and Bylaws of the Synod. The membership of the District consists of 114 congregations, which are the members of the Synod located within the District’s geographic bounds. The District’s 114 congregations have a combined membership of approximately 25,000 communicant members. **The District’s executive offices are located at 3501 S. Gateway Boulevard, P.O. Box 89110, Sioux Falls, SD 57109-9110, and the telephone number is (605)-361-1514, fax number is (605)-361-7959 and web site home page is <http://sd.lcms.org>.**

The District’s Board of Directors (“Board”) established a separate unrestricted fund named Church Extension Fund (“Church Extension Fund”) in 1907. Church Extension Fund is controlled and operated by the elected Board of the District. The Board is responsible for the supervision and administration of the Church Extension Fund and report to the member congregations at the District’s Triennial Convention.

The purpose and objective of the District’s Church Extension Fund is to assist the District, its congregations, and associations of its congregations by providing secured and unsecured loans for the acquisition, erection, or improvement of buildings and/ or real estate used exclusively for non-profit religious, educational, benevolent, charitable, or social purposes.

All assets, liabilities, including the responsibility and liability for the Certificates offered hereby, are that of the District’s Church Extension Fund. Up to \$2,000,000 of Certificates shall be offered to certain Lutheran members or organizations who are residents of South Dakota (See Plan of Distribution p.15). The Certificates, which provide general obligation financing for the Church Extension Fund, shall not be specifically secured by particular loans to specific borrowing entities.

Investors in Church Extension Fund will be repaid only from the Church Extension Fund's unrestricted assets. Selected financial information on the last 5 fiscal years of Church Extension Fund is included in this Circular on page 12 for your review.

SYNOD HISTORY

The origin of the Lutheran denomination dates from the reformation of the Roman Catholic Church in the early 16th Century in Germany. The Synod was organized in the State of Missouri in 1847 and was formally incorporated in 1894 as a Missouri non-profit religious corporation.

The Synod, its Districts, and its affiliated organizations, are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended ("Code"), are not private foundations under Section 509 of the Code and are organized and operated exclusively for religious, educational, charitable and benevolent purposes. The Synod's principal offices are located at 1333 South Kirkwood Road, St. Louis, Missouri, 63122-7295.

USE OF PROCEEDS

The proceeds from Certificates are used by the District to offer low interest loans to qualifying congregations and organizations to purchase sites for future expansion, or to build or remodel churches, parsonages, schools and educational units. In the event \$2,000,000 in Certificates are sold under this Offering, approximately \$2,500 will be used for payment of offering expenses, including legal, accounting and printing costs, with the remaining net proceeds of \$1,997,500 available for operation of the Church Extension Fund (See Lending Activities p. 9). No commissions will be payable with respect to sale of the Certificates.

FINANCING AND OPERATIONAL ACTIVITIES

Outstanding Investment Obligation:

One of the District Church Extension Fund's means of generating the funds necessary for church extension activities is through the sale of investment obligations. The following table sets forth the number of accounts and balances payable of the investment obligations for which the District Church Extension Fund was liable at January 14, 2007.

<u>Description</u>	<u>Number of Accounts</u>	<u>Certificates Payable January 14, 2007</u>
Fixed Rate / 3-Month Term Certificate	905	1,297,074
Fixed Rate / 12-Month Term Certificate	229	2,005,698
Fixed Rate / 3-Year Term Certificate	312	3,492,865
Fixed Rate / Congregational 3-Month Term Certificate	19	183,214
	1,465	\$6,978,851

Interest and Principal payments on all of the Church Extension Fund’s investment obligations, including the notes, are made primarily from the amounts received as principal and interest payments on the Church Extension Fund’s outstanding loans. See “Outstanding Loans Receivable.” While payments received on loans have been the primary source of funds, funds also have been generated from interest on investments (see “Investment Policy”).

Payment of interest and principal on the Certificates is not secured by any specific assets of the Church Extension Fund, nor by any particular loan to a specific borrowing entity. The holders of the Certificates, therefore, will be unsecured creditors.

Maturity Information:

The following table reflects approximate maturity information as to investment obligations payable at the dates indicated:

	Balance as of January 14,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Principal payable in less than one year	4,303,436	5,593,848	4,913,695
Principal payable in one to two years	901,096	1,013,313	2,001,940
Principal payable after two years	1,774,319	1,047,270	1,105,645
	<u>\$6,978,851</u>	<u>\$7,654,431</u>	<u>\$8,021,280</u>

For the prior fiscal year ending January 14, 2007 the Church Extension Fund received from the sale of its securities (all fixed rate term certificates) \$387,426 and had redemptions to investors totaling \$1,278,512.

Outstanding Loans Receivable:

The District Church Extension Fund is organized and primarily utilized to make loans to the District’s member congregations, certain associations of congregations and District. Loans to congregations, associations of congregations and District generally are secured by a first lien on the improved property.

As of January 14, 2007, there were 29 outstanding loans with balances receivable aggregating \$5,481,246. The District’s audited financial statements, in its footnotes, discloses the number of loans outstanding, the total loan receivable balance and the annual maturities for the next five years.

Material Loans:

At January 14, 2007, the Church Extension Fund had loans outstanding to two congregations in amounts exceeding \$470,000. Material loans receivable, in excess of \$470,000, are as follows:

<u>Name of Congregation or Association</u>	<u>Number of Loans</u>	<u>Balance at January 14, 2007</u>
Zion Lutheran - Sioux Falls, SD	2	779,094
Lord of Life Lutheran - Sioux Falls, SD	1	580,998
	<u>3</u>	<u>\$1,360,092</u>

Secured and Unsecured Loans:

The breakdown of Church Extension Fund's loans receivable as to type of loan, secured or unsecured, at January 14, 2007, are as follows:

<u>Name of Congregation or Association</u>	<u>Number of Loans</u>	<u>Balance at January 14, 2007</u>
Secured Loans	26	5,464,981
Unsecured Loans	3	16,265
	<u>29</u>	<u>\$5,481,246</u>

Loans Guaranteed by Third Parties:

As of Church Extension Fund's last fiscal year end, January 14, 2007, Church Extension Fund had no loans outstanding that were guaranteed by third parties.

Unrelated Revenue and Expenses:

For Church Extension Fund's last completed fiscal year ending January 14, 2007, District Church Extension Fund received no revenue from unrelated business activities nor did it expend any of Church Extension Fund's financial resources for unrelated business activities.

Activities and/or Operations that relate to its ability repay debt obligations:

As of the date of this Offering, the District Church Extension Fund is not participating in any activity or operation that has or will have any affect on Church Extension Fund's ability to repay the principal and interest on its outstanding investment obligations.

The current unaudited financial statements of the District will be made available to an investor within 120 days of the District's fiscal year end upon written request and audited financial statements will be mailed to investors within 170 days of the District's fiscal year end.

LENDING ACTIVITIES

District's Church Extension Fund is organized and primarily utilized to make loans to the District's member congregations, certain associations of congregations and District. Loans to these Lutheran non-profit organizations are either secured by a first lien on the improved property or are unsecured.

Secured Loans:

Eligible projects for which a secured loan may be granted are the following; site acquisition for ministry, construction of new or replacement of facilities used for ministry, improvements to existing facilities used for ministry and any other use approved by the Board of Directors for Church Extension Fund.

To receive a Secured Loan the borrowing entity shall give a mortgage on the improved real property creating a first lien in favor of the District. Secured loans are generally made for a term not to exceed 20 years for self supporting congregations or 30 years for mission status congregations (congregations that are newly organized and have been incorporated for less than 10 years). Monthly payments are required, with principal amortized, generally over not more than 30 years.

Unsecured (Small) Loans:

Eligible projects for which an unsecured loan may be granted are the same as for secured loans. However, the lending limit for any of these projects cannot exceed \$25,000 nor be written for terms exceeding 10 years. No mortgage is required. Monthly payments are required, with principal amortized, generally over not more than 10 years.

General Loan Policies:

Monthly payments are due on the 1st of each month until loan balance is paid in full. Late payments result in a late payment penalty being charged. The interest rate charged is the prevailing rate established by the District's Board at the time of approval. The Board may establish a lower rate of interest for mission status congregations. If interim financing is required, construction loans may be made by Church Extension Fund. The interest rate for construction loans is normally the rate charged for the Secured loan. Church Extension Fund charges no loan service fees. Quarterly the District Board may review and raise or lower the loan rate with regard to market conditions and its current financial operating needs.

Factors considered in determining eligibility for loans to congregations and associations will include the borrower's outstanding indebtedness per member, the loan amount requested compared to the value of the real property security, the prior and projected financial performance of the borrower, the anticipated revenues available to the congregation or association compared to debt repayment requirements and the amount of contributions previously remitted to the District.

All loans to congregations are subject to the provision that if a congregation ceases to remain a member of the Synod, then the full unpaid balance of the loan, at Church Extension Fund's option, shall become immediately due and payable.

Material loans:

The LCMS Board For Church Extension has established a policy that the amount loaned to any one entity shall not exceed 10% of the District Church Extension Fund's total assets. During the last three fiscal years, which ended on January 14th of 2007, 2006 and 2005, Church Extension Fund incurred no loan delinquencies nor did Church Extension Fund incur any material loan losses on any outstanding loan. The table on page 8 includes a list of the existing loans that exceed \$470,000.

INVESTING ACTIVITIES

Investment Policy:

The policy of the District Church Extension Fund is to maintain liquid assets, in the form of cash, short-term and other interest-bearing investments, in an amount deemed sufficient to meet normal repayment requests and commitment requirements. Such investments include certificates of deposit, U.S. government or government agency obligations, investments in the Steward Account, Demand and Term Support Dollar accounts of the Lutheran Church Extension Fund, and investments in the Common Income Fund and Common Equity Fund of The Lutheran Church-Missouri Synod Foundation. As of the fiscal year-end January 14, 2007, all investments conform to the District's investment policy.

Liquidity:

At January 14, 2007, cash, and cash equivalents, and investments including investments in the Lutheran Church Extension Fund Steward Account and in the Foundation's Common Funds equaled approximately 39% of the outstanding principal balance of the Church Extension Fund's investment obligations.

Management of Short-term Investment Portfolio:

The President and Business Manager of the District manage the short-term investment portfolio with the assistance of the Treasurer. The District's finance committee proposes and the Board of Directors adopts investment policies for the District and its Church Extension Fund. As of the date of this Offering, the District has not engaged a third party to make or maintain its investments. Policies for short-term investments require that the assets be invested in certificates of deposit, government securities, and/or other fixed interest-bearing securities offered by the Lutheran Church-Missouri Synod or its affiliated corporations.

Investments by Type and Percentage of Total:

<u>Investment Type</u>	<u>As of Jan. 14, 2007</u>			<u>As of Jan. 14, 2006</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>%</u>	<u>Cost</u>	<u>Fair Value</u>	<u>%</u>
Certificates of Deposit	1,850,000	1,850,000	47.2%	1,745,000	1,745,000	40.3%
Bank Money Market-Governmnt Securi	50,501	50,501	1.3%	78,352	78,352	1.8%
Lutheran Church Extension Fund – Demand Accounts	246,977	246,977	6.3%	481,764	481,764	11.1%
Lutheran Church Extension Fund – Term Accounts	1,694,036	1,694,036	43.2%	1,943,803	1,943,803	44.9%
Lutheran Church-Missouri Synod Foundation	91,890	80,363	2.0%	91,890	80,926	1.9%
	<u>3,933,404</u>	<u>3,921,877</u>	<u>100%</u>	<u>4,340,809</u>	<u>4,329,845</u>	<u>100%</u>

Realized and Unrealized Gains and (Losses):

	<u>As of the Year Ending</u>		
	<u>January 14, 2007</u>	<u>January 14, 2006</u>	<u>January 14, 2005</u>
Net Investment income earned	130,573	108,289	144,619
Net Realized and Unrealized Gains	4,258	1,889	4,995
Net Realized and Unrealized (Losses)	(563)	0	0
	<u>\$134,268</u>	<u>\$110,178</u>	<u>\$149,614</u>

SELECTED FINANCIAL DATA

Selected Church Extension Fund Financial Information From Audited Financial Statements

<u>from: Statement of Financial Position</u>		<u>Jan. 14,2007</u>	<u>Jan. 14,2006</u>	<u>Jan.14, 2005</u>	<u>Jan.14, 2004</u>	<u>Jan.14, 2003</u>
Cash, cash equivalents & short term investments		1,527,945	1,586,143	1,566,672	2,926,913	1,942,488
Loans Receivable:						
Unsecured Loans	0.3%	16,265	5,599	19,163	20,792	24,414
Secured Loans	<u>99.7%</u>	<u>5,464,981</u>	<u>5,849,730</u>	<u>6,055,502</u>	<u>5,585,827</u>	<u>4,941,734</u>
Total Loans Receivable	100.0%	5,481,246	5,855,329	6,074,665	5,606,619	4,966,148
<i>Loan Delinquencies/% of total</i>		<i>0.000%</i>	<i>0.000%</i>	<i>0.000%</i>	<i>0.000%</i>	<i>0.000%</i>
Long Term Investments		2,394,036	2,743,803	2,810,932	2,700,000	1,200,000
Total Assets		<u>9,413,035</u>	<u>10,195,054</u>	<u>10,464,504</u>	<u>11,240,827</u>	<u>9,200,799</u>
Investors Payable (Notes/Certificates):						
3-Month Term	18.6%	1,297,074	1,689,157	2,686,478	4,124,040	6,644,959
12-Month Term	28.7%	2,005,698	1,942,893	2,054,806	2,420,892	58,715
3-Year Term	50.1%	3,492,865	3,847,641	3,107,585	2,052,804	0
3-Month Congregation Term	<u>2.6%</u>	<u>183,214</u>	<u>174,740</u>	<u>172,411</u>	<u>244,988</u>	<u>0</u>
Total Investors Payable	100.0%	6,978,851	7,654,431	8,021,280	8,842,724	6,703,674
<i>Notes/Certificates Redeemed during year</i>		<i>1,278,512</i>	<i>1,199,753</i>	<i>1,745,089</i>	<i>4,205,246</i>	<i>1,050,437</i>
Other Long Term Debt		0	0	0	0	0
Total Payables		<u>7,122,103</u>	<u>7,924,255</u>	<u>8,235,623</u>	<u>9,083,762</u>	<u>6,997,061</u>
Net Asset Balance - Unrestricted						
Beginning Balance		2,270,799	2,228,881	2,157,065	2,203,738	2,210,895
CHANGE IN NET ASSETS		20,133	41,918	71,816	(46,673)	(7,157)
Ending Balance		<u>2,290,932</u>	<u>2,270,799</u>	<u>2,228,881</u>	<u>2,157,065</u>	<u>2,203,738</u>
Total Liabilities and Net Asset Balance		<u>9,413,035</u>	<u>10,195,054</u>	<u>10,464,504</u>	<u>11,240,827</u>	<u>9,200,799</u>

DESCRIPTION OF CERTIFICATES

Terms and Minimum Investments:

The following terms and minimum investments are allowed under this Offering:

- | | | |
|----|--|-----------------|
| 1. | THREE-MONTH TERM CERTIFICATE
(Interest accumulated and added quarterly) | (\$25 MINIMUM) |
| 2. | TWELVE-MONTH TERM CERTIFICATE
(Interest accumulated and added annually) | (\$250 MINIMUM) |
| 3. | THREE-YEAR TERM CERTIFICATE
(Interest accumulated and added annually) | (\$500 MINIMUM) |
| 4. | CONGREGATIONAL THREE-MONTH
TERM CERTIFICATE
(Interest accumulated and added quarterly) | (\$250 MINIMUM) |

Interest rates available for the above terms are set and determined by the Board of the District and published in "Interest Rate Tables". Interest is not compounded. The rates are subject to change quarterly January 1st, April 1st, July 1st and October 1st. The Interest Rate Table in effect at the time of purchase of a Certificate will determine the applicable rate for the term of the Certificate purchased. The interest rate for a renewal of Certificates will likewise be at the then-current interest for the term stated in the Interest Rate Table. Certificates shall automatically be renewed unless the investor notifies the District prior to the maturity date that the investor elects not to renew the Certificate. Each investor shall be provided written notification of the maturity and proposed renewal at least 30 days prior to the Certificate's maturity date. Payment for purchase of a Certificate must be made in cash or good check, delivered to the District, along with a completed application (See How to Purchase Certificates, p. 20). There is currently no other indebtedness of the Church Extension Fund with priority over the Certificates.

Transferability:

No markets exist for the Certificates. The District may allow transfer of Certificates in limited situation. Transfers may be made upon satisfactory completion of a prescribed transfer form and may only be made to Eligible Investors (See Plan of Distribution).

Redemption of Certificates:

Upon Maturity: Certificates must be endorsed by the owner(s) on the back of the Certificate. Upon receipt of a properly completed form on a matured Certificate, the proceeds will be forwarded by check to the name(s) and address on file.

Right to Call: The District Church Extension Fund reserves the right to call a Certificate upon sixty (60) days written notice.

Number of Signatures: If there is more than one authorized signatory on an account, the District Church Extension Fund may honor a withdrawal or transfer request or follow the instructions authorized by any one of them.

Automatic Renewal: Certificates are automatically renewed for the same term as the Certificate matures, without any action by the investor. The Certificate may be redeemed at any time however it is subject to a penalty for early redemption, see "Early Redemption". The interest rate on a renewed Certificate will be the interest rate in force for that term at the time of renewal.

Early Redemption: The interest earned on Certificates submitted for redemption prior to mailing of the maturity notice by District is subject to the following interest adjustments:

<u>Type of Investment</u>	<u>Interest Adjustment</u> <u>I.e. Forfeiture</u>
Three-Month Term Certificates	30 Days Interest
Twelve-Month Term Certificates	30 Days Interest
Three-Year Term Certificates	60 Days Interest
Congregational 3-Month Term Certif.	no interest adjustment

The District Church Extension Fund reserves the right to request a thirty (30) day notice of a withdrawal.

Redemption upon Death of Owner:

(i) Sole Owner: The early redemption penalty may be imposed upon the death of the sole owner of a Certificate account. In order to redeem the Certificate, the District must be furnished with copies of the following: 1. Death Certificate, 2. Letter of Personal Representative or Trustee of estate, and 3. other legal documents pertaining to the estate that may be required. The check will be made payable to the estate's name and delivered to the personal representative of the estate or other payee as required by law of the State of South Dakota.

(ii) Joint Owner: Upon the death of one joint owner, District Church Extension Fund requires a copy of the death certificate to remove the deceased's name from the certificate. The surviving owner has the option to redeem the certificate without any forfeiture of interest prior to maturity upon furnishing a copy of the death certificate. The proceeds will be made payable to the surviving owner. If the surviving owner requests to add another name to the Certificate, a new certificate must be issued.

(iii) Trust Ownership: If the grantor of the trust dies, the trustee may redeem the certificate prior to maturity without interest adjustment.

(iv) Multiple Payees: If the proceeds of an account are payable to more than one payee, only one check will be issued, payable to all payees jointly. The District's Church Extension Fund will not assume the responsibility for splitting the proceeds of an account among multiple owners or beneficiaries.

(v) Lost Certificate: A signed and notarized affidavit is required to redeem or replace a lost certificate. The affidavit form is available from the District office.

PLAN OF DISTRIBUTION

Offering:

The Certificates are being offered by the District's Church Extension Fund through its congregations and related religious organizations, primarily through the dissemination of materials to local congregations, as well as periodic publication in regional publications or directly to current or previous investors. Promotional materials, including brochures and posters may be distributed at church conferences, conventions or seminars. The Board members, management and staff, may on occasion, discuss the nature or purpose of the Church Extension Fund and the Certificates at denomination-sponsored events. The Certificates are only offered and sold to Eligible Investors as described below. No offers to purchase will be accepted prior to the time that an investor has received this offering circular. No underwriting or selling agreements exists with regard to the sale of the Certificates and no direct or indirect commissions or remuneration will be paid to any individuals or organizations in connection with the offer and sale of the Certificates.

Eligible Investor:

The Board shall be authorized to accept investments from individuals, congregations, organizations or associations that are members of, contributors to, or participants in the LCMS, including any of its Districts or other programs, activities, congregations, organizations, or associations which constitutes a part of the Synod, or who are ancestors, descendants, or successors in interest to such individuals or entities, and who have their principle address in South Dakota.

TAX ASPECTS

There are no income tax benefits with respect to investments in the Certificates and interest paid or payable on the Certificates is taxed as ordinary income, whether paid in cash or accumulated.

LITIGATION AND OTHER MATERIAL TRANSACTIONS

There are no present, pending or threatened material legal proceedings, nor any known to be contemplated by any governmental authorities, administrative bodies or other administrative persons to which the District or its property is or may become a party.

CHURCH EXTENSION FUND'S MANAGEMENT

The Church Extension Fund is governed by the Board, elected by its member parishes at triennial conventions. Each parish is represented by two voting delegates at the convention, one clergy and one layman. The same convention and delegates, which govern the South Dakota District also, govern the District's Church Extension Fund. The general manager and supervisor of the Church Extension Fund's business is the Board of Directors. They are also the legal representative of the Church Extension Fund and the custodian of its property.

The Board may appoint such personnel and committees as may be needed to carry out the purpose and objectives of the Church Extension Fund. Said committees then recommend its proposed actions to the Board for approval.

The Board consists of seven elected persons, a President, First Vice-President, Second Vice-President, Secretary, Treasurer and two Lay Board Members. The President, Vice-Presidents and Secretary shall be Ministers of Religion-Ordained. All elected members of the Board, except the President, the First Vice-President, and the Treasurer, may succeed themselves to the same office only once after having served one full term. The President, First Vice-President, and Treasurer are not limited as to tenure of office. Any vacancy on the Board between conventions may be filled by the affirmative vote of a majority of the remaining Board members.

Members of the District's Board serve without compensation but do receive reimbursement for travel expense incurred through authorized Board business. Board members are not prohibited from investing in Certificates.

Current Board of Directors:

The following Board members were elected to their positions in June 2006 and are currently serving as the Board of Directors for the District. All Board member terms expire in May 2009.

President and Chairman of the Board: Rev. Dale L. Sattgast, he is currently the full-time President of the District and has previously served as a Vice-President since 1991. Resides at 5308 West Boxwood Place, Sioux, SD 57107.

1st Vice-President and Vice-Chairman of the Board: Rev. Gene D. Bauman, he is a Parish Pastor and has been a Vice-President of the District since 2000. Resides at 2 Swan Lane, Spearfish, SD 57783.

2nd Vice-President: Rev. Nabil Nour, he is a Parish Pastor and is beginning his first term as Vice President. Resides at 402 3rd St., PO Box 158, Armour, SD 57313.

Secretary: Rev. Scott Sailer, he is a Parish Pastor and is beginning his first term as Secretary of the District. Resides at 2105 S. Lincoln Ave., Sioux Falls, SD 57105.

Treasurer: Mr. Jerald C. Wulf, he is a CPA and is currently employed by the State of South Dakota in the Department of Legislative Audit. He has been the Treasurer of the District since 1991. Resides at 1714 East Erskine, Pierre, SD 57501.

Lay Board Member: Mr. John S. Hirsch, he is a U. S. Army officer – Retired and is beginning his first term as a Lay Member of the Board. Resides at 2213 Mulberry St., Yankton, SD 57078.

Lay Board Member: Mr. Dennis H. Melstad, he is President of Dakota Dunes Development Company, Dakota Dunes, SD. He has served on the District Board since 2003. Resides at 291 Bluestem Trail, Dakota Dunes, SD 57049.

To the District's knowledge, no member of the Board of Directors or Management Staff have ever been convicted in any criminal proceeding (other than traffic violations or other minor misdemeanors).

Officers and Management Staff:

These are the District Officers and Senior Management that are in charge of the day-to-day operations of the Church Extension Fund and are the individuals primarily responsible for the offering of investment obligations and administration of the Church Extension Fund loan portfolio. The following persons presently serve as the officers and management:

President and Chief Executive Officer: Rev. Dale L. Sattgast, 57 years old, served as District Second Vice-President from 1991 to 1994 and as District First Vice-President from 1994 to 1997 and again from 2000 to 2006. He receives compensation as a full-time employee and serves as President and Chief Executive Officer over the District and its Church Extension Fund.

Treasurer: Mr. Jerald C. Wulf, 54 years old, served as Forward In Remembrance fundraising campaign of the Synod as Congregation Coordinator from 1980 to 1981 and has served as the Lutheran Laymen's League District Governor from 1989 to 1991. His service as Treasurer to the District and to Church Extension Fund is on a volunteer basis and is not paid any compensation. He gives counsel and guidance to the District President and Business Manager in all areas of finance and financial reporting.

Business Manager: Mr. Randall L. Gayken, 58 years old, has served as the District's Business Manager (a full-time paid position) from 1980 to the current date. As Business Manager he manages the day-to-day operations of the Church Extension Fund, supervises the business office staff and issues all interim financial reports for the District and its Church Extension Fund.

Compensation:

No Member of the District Board of Directors, except the President, receives compensation for their services, but each is reimbursed for expenses incurred in attending board meetings. The President and Business Manager are full-time salaried employees of the District and its Church Extension Fund. The President's salary is currently paid by the District, but not out of Church Extension Fund funds. In the fiscal year ended January 14, 2007, the President and Business Manager received aggregate direct remuneration totaling \$131,336. No such person received remuneration in excess of \$150,000 during fiscal year ending January 14, 2007.

Employment Contracts:

No officer or management staff of the District and its Church Extension Fund receives deferred compensation under an employer-sponsored plan. However, all full-time employees of the District and its Church Extension Fund are eligible to participate in the Synod's Concordia plans, including the Concordia Retirement Plan (CRP). The District makes contributions to the CRP on behalf of its employees participating in the Plan. Contributions for such participation are based on a percentage of compensation, with adjustments depending upon each employee's marital status and whether or not a minister of the gospel, who is treated as "self-employed" under Social Security law. For example, the amount paid for a married minister of the gospel would be 9.2% of compensation and 6.2% of compensation for a married lay person.

FINANCIAL STATEMENTS

The District's Church Extension Fund accounts are maintained in accordance with current pronouncements of the Financial Accounting Standards Board (FASB) covering generally accepted accounting principles for not-for-profit organizations and provides a uniform method of accounting for the Synod and its Districts. The District's Church Extension Fund maintains its books and records using the accrual basis of accounting. Financial statements and reports are prepared on the same basis. The District's financial statements are audited annually by Henry Scholten & Company, a certified public accounting firm with offices located in Sioux Falls, South Dakota. Audited financial statements of the Church Extension Fund, including, but not limited to statements of financial position for the two most recent fiscal years, statements of activities for the two most recent fiscal years, and cash flow statements for the two most recent fiscal years, are attached.

OPTIONS FOR TYPE OF CERTIFICATE OWNERSHIP

SOLE OWNER – A sole owner account bears one name only, which includes individuals, congregations and businesses.

JOINT OWNERS – A joint owner account refers to an account bearing two or more names using the word "and" between the names only. Joint owners are defined as “joint tenants with rights of survivorship” and not as “tenants in common.” Interest throughout term of Certificate will be paid to both owners, and proceeds at maturity likewise. Upon the death of either, the Certificate automatically becomes sole property of survivor, contingent upon laws of the State of South Dakota. The social security number of either owner may be used, but the first name listed on the Certificate shall correspond to the social security number reported to the IRS.

CUSTODIAL ACCOUNT (Uniform Gift to Minors Act) – The Act allows you to open and deposit funds to a term certificate account for the benefit of a minor. These accounts are then considered the property of the minor; however the custodian has the sole right to perform transactions and take other actions with the account for the benefit of the minor. District Church Extension Fund may, however, disclose information about the account to the minor or the minor’s representative. All interest is reported to the IRS under the minor’s taxpayer’s identification number (TIN).

BENEIFICARY BEQUEST TO INDIVIDUAL(S) and /or ORGANIZATIONS OF THE SYNOD/PAY ON DEATH – P.O.D. - Beneficiary bequest provides the owner(s) with the opportunity to name one or more beneficiaries to whom they want to transfer their certificate(s) at the time of death. Ownership may be as an individual or jointly with rights of survivorship. The owner(s) maintain control of the certificate(s) until death and may cancel or change the P.O.D./beneficiary bequest at any time.

POWER OF ATTORNEY (POA) – The original document naming the Power of Attorney must be received before District Church Extension Fund acknowledges the agent’s authority, unless the POA authorizes recognition of a photocopy.

VALID TRUST – Certificates are issued under the name of the Revocable or Irrevocable Trust and proceeds are paid in accordance with the terms of the trust. Either the trust Federal ID number is used, or, in the case of a grantor trust, the individual’s social security number. There is no penalty imposed upon the death of the grantor.

HOW TO PURCHASE CERTIFICATES

To purchase Certificates, you must complete an application form, and return it, along with your check payable to the South Dakota District of The LC-MS, P. O. Box 89110, Sioux Falls, SD 57109. If you have any questions, or are in need of an application form, please contact the District office at (605)-361-1514 or toll-free at 1-888-385-7330. Investor information provided to Church Extension Fund in connection with the purchase of Certificates is held as confidential. Telephone requests for information require the Social Security number and Certificate number for identification.