



National Offering Circular 2012



Serving congregations of the WELS & ELS since 1960.



Letter from the chairman...

Dear LACE Investor:

We hope you will take the time to read through our latest Offering Circular. As you do, I am confident you will be left with the impression that your investment will be managed responsibly, professionally and put to good use. LACE continues to offer its investors opportunities to assist LACE in making low interest rate loans to WELS/ELS congregations and organizations making their building projects become a reality.

In these challenging economic times, we remain committed to providing loans for WELS and ELS self supporting congregations as we strive to meet the financial demands of the congregations we serve. The reality is we cannot meet our congregations' demands without your generous investment in LACE. For those of you who are currently invested, we thank you and look for your continued support. If you are reading this Circular because you are contemplating investing with LACE, we desire to earn your trust and respect. Our President and CEO, Donald Krueger, will be happy to answer your questions and provide you a listing of our current rates that match your investment decision. You can reach the LACE office at 1-888-550-LACE (5223) or visit our Web site, www.laceinc.org.

The purpose of LACE remains the same: to assist congregations in the WELS and ELS finance their capital projects. We do so not simply for the sake of appearance but to provide a facility God's people can use to gather for worship and proclaim the good news of forgiveness, life and salvation in the Savior from sin, Jesus Christ.

God's Blessings,
Pastor Robert Frick
Chairman, LACE Board of Directors

Phone (989) 781.1600 • Toll Free (888) 550.5223

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NATIONAL OFFERING CIRCULAR

\$12,000,000

Loan Certificates			
Maturity	2 year	3 year	5 year
Minimum Investment	\$25.00	\$25.00	\$25.00
Demand Certificate			
Minimum Investment	\$25.00		
IRA Investment Certificate			
Minimum Initial Investment	\$5,000		

Lutheran Association for Church Extension, Inc. (“**LACE**”) is offering nationally (“**Offering**”) up to \$12 Million in aggregate principal amount of Demand, Loan (Two, Three and Five-Year) and IRA Investment Certificates (collectively, “**Certificates**”). The aggregate principal amount of **Certificates** offered in any particular state may be limited. **LACE** offers the **Certificates** to organizations and individuals who are or are members of, constituents of, participants in, or contributors to (collectively, “**Members**”), the Wisconsin Evangelical Lutheran Synod (“**WELS**”), the Evangelical Lutheran Synod (“**ELS**”), **LACE**, or churches, schools or other organizations that are affiliated with **WELS**, **ELS** or **LACE**.

The **Offering** is not underwritten and **LACE** does not compensate any individual in connection with their participation in the offer or sale of **Certificates** by the payment of commissions or other remuneration based, directly or indirectly, on the offer or sale of the **Certificates**. Accordingly, **LACE** will receive 100% of the proceeds from the sale of the **Certificates** and will bear all expenses incurred in the **Offering**, which are anticipated to be less than one-half of one percent of the total **Offering** amount. No minimum offering is required so **LACE** will use the proceeds when received.

The **Offering** is subject to certain risk factors (see “Risk Factors” on pages 2 through 6). Potential investors should carefully review this Offering Circular before deciding to purchase **Certificates**. **Certificates** are not available in all states.

Interest is paid annually on the **Certificates**. Each Demand and Loan (Two, Three and Five-Year) Certificate Holder has the option to reinvest the annual interest payments and thereby increase the outstanding principal amount of the **Certificate**. IRA Investment **Certificates** are required to reinvest interest payments annually.

THE RATE OF INTEREST FOR EACH TYPE OF CERTIFICATE IS REFLECTED ON THE ENCLOSED INTEREST RATE SHEET. INTEREST RATES MAY BE ADJUSTED FROM TIME TO TIME AFTER THE DATE OF THE ENCLOSED RATE SHEET, AND THE CURRENT RATES MAY BE OBTAINED BY CALLING 1-888-550-5223 OR VISITING OUR WEB SITE AT WWW.LACEINC.ORG.

The date of this Offering Circular is October 1, 2011

THE **CERTIFICATES** MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES IN WHICH THEY ARE OFFERED OR SOLD. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN THE STATES THAT REQUIRE THE FILING OF THIS OFFERING CIRCULAR FOR REGISTRATION OR EXEMPTION.

THE **CERTIFICATES** 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 THE **CERTIFICATES** HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

THE **CERTIFICATES** 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 THE **CERTIFICATES**, OR APPROVED, DISAPPROVED OR ENDORSED THE **OFFERING**. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

WHEN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF **LACE** 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 AN INVESTOR IN THE **CERTIFICATES** IS DEPENDENT UPON **LACE'S** FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW **LACE'S** FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE **CERTIFICATES** ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, **WELS** OR **ELS**, OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH **WELS** OR **ELS**.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS **OFFERING** THAT IS INCONSISTENT WITH THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY **LACE**.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF **CERTIFICATES** THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS. INVESTORS SHOULD MAKE AN INDEPENDENT DECISION ABOUT WHETHER PURCHASING **CERTIFICATES** WILL AID THEM IN ACCOMPLISHING THEIR INVESTMENT OBJECTIVES AND WHETHER THE **CERTIFICATES** FIT WITHIN THEIR FINANCIAL RISK TOLERANCE.

STATE - SPECIFIC INFORMATION

California

Automatic renewal upon maturity of a Loan **Certificate**, as provided in this Offering Circular, is not available to investors who are California residents. All California investors will receive a maturity notice and a current Offering Circular within thirty days of each Loan **Certificate** maturity date, and California investors will have the opportunity to notify **LACE** if they intend to renew their investments. If renewal is not requested, investor's funds will be promptly returned. Renewals can be made only if **LACE** is qualified to make sales in the state of California.

LACE will not create, incur, or voluntarily permit any material lien upon any of its assets or otherwise incur material indebtedness having a prior claim to its assets or otherwise senior to **Certificates** issued to California investors, except for (1) liens or charges for current taxes, assessments or other governmental charges which are not delinquent or which remain payable without penalty or the validity of which are contested in good faith; (2) liens made to secure statutory obligations, surety or appeal bonds, or bonds for the release of attachments or for stay of execution; (3) purchase money security interests for property hereafter acquired; or (4) judgment liens. For purposes of this covenant, the term "material" shall mean an amount which equals or exceeds 10% of the tangible assets of **LACE**.

Florida

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE FLORIDA DIVISION OF SECURITIES AND INVESTOR PROTECTION. **LACE** IS REGISTERED AS AN ISSUER/DEALER TO SELL ITS OWN SECURITIES AND THE AUTHORIZED REPRESENTATIVE(S) OF **LACE** ARE REGISTERED AS ASSOCIATED PERSONS.

Georgia

THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF GEORGIA. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES.

ANY GEORGIA RESIDENT WHO PURCHASES THE SECURITIES OFFERED HEREBY SHALL HAVE THE UNQUALIFIED AND UNWAIVABLE RIGHT TO RESCIND SUCH PURCHASE WITHIN 72 HOURS OF THE EXECUTION OF A WRITTEN AGREEMENT TO PURCHASE ANY SECURITIES OFFERED HEREBY, THE DELIVERY OF A CONFIRMATION OF SALE, OR THE PAYMENT FOR ANY SECURITIES OFFERED HEREBY, WHICHEVER SHALL OCCUR FIRST. RESCISSION MAY BE ACCOMPLISHED BY COMPLETING AND MAILING THE FORMS PROVIDED IN THE BACK OF THIS OFFERING CIRCULAR.

THE FOLLOWING TABLE PROVIDES UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR **LACE** AS IF THIS **OFFERING** HAD BEEN COMPLETED AS OF JUNE 30, 2010. THIS TABLE ASSUMES THE SALE OF \$12,000,000 OF SECURITIES WITH \$34,000 IN TOTAL OFFERING EXPENSES, \$1,000,000 IN **CERTIFICATE** RENEWALS AND REINVESTMENTS, A \$535,156 INCREASE IN LIQUIDITY, SPREAD BETWEEN INVESTMENTS AND CASH AND CASH EQUIVALENTS, AND \$10,430,844 IN NET PROCEEDS USED ENTIRELY TO MAKE NEW LOANS. THERE CAN BE NO ASSURANCE THAT **LACE** WILL SELL ALL THE SECURITIES OFFERED, THAT OFFERING EXPENSES WILL BE IN THIS AMOUNT, THAT MATURING **CERTIFICATES** WILL BE RENEWED IN THIS AMOUNT, OR THAT NET PROCEEDS WILL BE USED EXCLUSIVELY FOR THESE PURPOSES. ACCORDINGLY, THIS INFORMATION IS NOT NECESSARILY A RELIABLE INDICATOR OF THE FINANCIAL CONDITION THAT **LACE** EITHER WOULD HAVE ACHIEVED HAD THE **OFFERING** TAKEN PLACE EARLIER OR WILL ACHIEVE AFTER COMPLETION OF THE **OFFERING**. YOU SHOULD REVIEW THE FOLLOWING INFORMATION TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES INCLUDED WITH THIS OFFERING CIRCULAR.

	June 30, 2011 Actual	Pro Forma Adjustments	June 30, 2011 Pro Forma
Assets			
Cash	\$ 773,017	\$ 35,156	\$ 808,173
Interest bearing deposits with an insurance company	2,716,032	0	2,716,032
Certificates of deposit	-	200,000	200,000
Investments	-	300,000	300,000
Loans, net of allowance for loan losses	21,978,191	10,430,844	32,409,035
Other assets	84,064	0	84,064
Total assets	<u>\$ 25,551,304</u>	<u>\$ 10,966,000</u>	<u>\$ 36,517,304</u>
Liabilities			
Investment certificates payable	\$ 22,525,867	\$ 11,000,000	\$ 33,525,867
Other liabilities	379,544	0	379,544
Total liabilities	<u>\$ 22,905,411</u>	<u>\$ 11,000,000</u>	<u>\$ 33,905,411</u>
Net Assets	<u>2,645,893</u>	<u>(34,000)</u>	<u>2,611,893</u>
Total liabilities and net assets	<u>\$ 25,551,304</u>	<u>\$ 10,966,000</u>	<u>\$ 36,517,304</u>

Automatic renewal upon maturity of a Loan **Certificate**, as provided in this Offering Circular, is not available to investors who are Georgia residents. All Georgia investors will receive a maturity notice, current interest rate information and a current Offering Circular (if one has not been previously sent) at least thirty days in advance of the maturity date of their Loan **Certificate(s)**, and Georgia investors will have the opportunity to notify **LACE** if they intend to renew their investment. If renewal is not requested, investor's funds will be promptly returned. Renewals can be made only if **LACE** is qualified to make sales in the state of Georgia at the time of the renewal.

Oregon

Automatic renewal upon maturity of a Loan **Certificate**, as provided in this Offering Circular, is not available to investors who are Oregon residents. All Oregon investors will receive a maturity notice and a current Offering Circular (if one has not been previously sent) at least thirty days in advance of the maturity date of their Loan **Certificate(s)**, and Oregon investors will have the opportunity to notify **LACE** if they intend to renew their investment. If renewal is not requested, investor's funds will be promptly returned. Renewals can be made only if **LACE** is qualified to make sales in the state of Oregon at the time of the renewal.

South Carolina

Demand instruments are not permitted in South Carolina. As a result, Demand **Certificates** are not available for sale in the State of South Carolina, and IRA Investment **Certificates** sold to South Carolina residents will have a 5 year term. IRA Investment **Certificates** may be redeemed prior to this time only if approved by **LACE** in its sole discretion based upon hardship or other conditions affecting the investor.

If you were a resident of the State of South Carolina when you purchased a **Certificate**, you may declare an "event of default" on your **Certificate** only if one of the following occurs:

- We do not pay overdue principal and interest on the **Certificate** within thirty days after we receive written notice from you that we failed to pay the principal or interest when due; or
- A South Carolina resident who owns a **Certificate** of the "same issue" as your **Certificate** (i.e., the same type, term and offering) has rightfully declared an event of default as to his or her **Certificate**.

To declare an event of default, you must submit a written declaration to us. The rightful declaration of an event of default as to any one **Certificate** of an issue constitutes an event of default on the entire issue in South Carolina. Upon a rightful declaration of an event of default on a **Certificate**:

- The principal and interest on your **Certificate** becomes immediately due and payable;
- If you request in writing, we will send you a list of names and addresses of all investors in the State of South Carolina who own a **Certificate** of the same issue as your **Certificate**; and
- The owners of 25% or more of the total principal amount of debt securities of the same issue outstanding in the State of South Carolina can declare the entire issue in the State of South Carolina due and payable.

SUMMARY

This summary is provided for your convenience. Before investing, you should read the entire Offering Circular, including the audited financial statements attached as **Exhibit A** to this Offering Circular (“**Financial Statements**”).

LACE is a Michigan non-profit, non-stock directorship corporation established to make loans to self-supporting **WELS** and **ELS** churches, schools and other affiliated organizations. See “History and Organization – General” on page 7.

LACE will use the proceeds from this **Offering** primarily to make low interest loans to **Borrowers** for approved purposes. These loans are used for financing capital expansion projects (particularly for the construction, renovation, repair or purchase of facilities and real property for worship, education and ministry); refinancing existing capital indebtedness; making major purchases of equipment; and for other projects that serve to extend the Lutheran church and its mission. See “Lending Activities” on page 9.

LACE offers three types of **Certificates**: Demand, Loan (Two, Three and Five-year) and IRA Investment **Certificates**. The rate of interest for each type of **Certificate** is set forth on the interest rate sheet enclosed with this Offering Circular. Interest rates may be adjusted from time to time after the date of the enclosed rate sheet, and current rates may be obtained by calling either 1-989-781-1600 or 1-888-550-LACE, or by visiting our website at www.laceinc.org. See “Description of Certificates” on page 17.

SUMMARY FINANCIAL INFORMATION

The following chart summarizes certain financial information as of and for the fiscal year ended June 30, 2011, and should be read in conjunction with the **Financial Statements**:

Assets	
Cash and cash equivalents	\$ 3,489,049
Loans, net of allowance for loan losses*	21,978,191
Other assets	84,064
Total assets	<u>\$ 25,551,304</u>
Liabilities	
Investment certificates payable	\$ 22,525,867
Other liabilities	379,544
Total liabilities	<u>22,905,411</u>
Net assets, end of year	\$ 2,645,893
Net assets, beginning of year	<u>2,522,865</u>
Change in net assets	<u>\$ 123,028</u>
Certificates issued	\$ 5,302,312
Certificates redeemed	\$ 3,108,636

* \$16,577 or 0.07% of these loans were unsecured; and none of these loans were delinquent (greater than 90 days past due). See “Lending Activities” on page 9.

See also “Risk Factors” beginning on the next page.

-Not FDIC Insured

-Not a bank deposit

-No Synod guarantee

RISK FACTORS

The **Certificates** involve potential risks to Certificate Holders. Investors should carefully consider the following risk factors and should review the **Financial Statements** prior to making a commitment to purchase **Certificates**.

Unsecured and Uninsured Obligations

The **Certificates** are unsecured and uninsured general obligations of **LACE**. Certificate Holders will be dependent solely upon the financial condition of **LACE** for principal repayment and interest payments on the **Certificates**. No **LACE** assets have been or will be pledged as security for repayment of principal or interest on the **Certificates**. The **Certificates** **LACE** has issued in the past are also unsecured debt obligations, and will have the same priority as **Certificates** issued pursuant to this **Offering**. The **Certificates** may be subordinated to senior indebtedness of up to ten percent (10%) of **LACE**'s tangible assets. See also "Financial and Operational Activities – Line of Credit" on page 14.

No FDIC or SIPC Insurance; No WELS or ELS Guarantee

The **Certificates** are not issued by or obligations of a bank and therefore are not FDIC insured. Nor are they protected by the Securities Investor Protection Corporation. They also are not guaranteed by **WELS** or **ELS**. Investors must rely solely upon **LACE** to pay all interest and principal on the **Certificates**.

No Sinking Fund and Limited Liquid Assets

LACE has not established, and has no plans to establish, a sinking fund for repayment of principal on the **Certificates**. Accordingly, **LACE** has not set aside funds for repayment of the **Certificates** upon their maturity. **LACE**'s ability to repay a **Certificate** will be affected by the financial condition and liquidity of **LACE** at the time the **Certificate** matures.

No Trust Indenture

LACE has not established, and does not intend to establish, a trust indenture to provide for the payment of principal on the **Certificates**. Accordingly, no trustee will monitor the ongoing affairs of **LACE** on behalf of Certificate Holders, no agreement will provide for joint action by Certificate Holders in the event **LACE** defaults on the **Certificates**, and Certificate Holders will not have the other protections a trust indenture would provide.

Interest Rate and Market Risks

LACE may invest its cash and cash equivalents until those funds are needed to meet demands for loans or the redemption of **Certificates**. **LACE** may not always be able to obtain an average return on its investments and loans that is greater than its average interest obligations. Further, **LACE**'s investments are subject to market risks and their value may decline. Downward fluctuations in the value of **LACE**'s investments could have a material adverse impact on **LACE**'s ability to repay **Certificates**. See "Investing Activities" beginning on page

15 for information on **LACE's** investment policies and returns. Past investment performance does not indicate future returns.

Ability of WELS and ELS Religious Organizations to Repay LACE Loans

LACE extends loans to **WELS** and **ELS Religious Organizations**. The ability of these **Borrowers** to repay their loans generally will depend upon whether they receive sufficient gifts and contributions from their members. Gifts and contributions may fluctuate for a number of reasons, including, but not limited to, the strength of the economy, the economic health of major employers in the area, or population shifts in the region where the **Borrower** is located. To the extent a **Borrower** experiences a decrease in its revenues, including contributions from its members, the **Borrower's** ability to repay its loan may be affected adversely. As of June 30, 2011, **LACE** had total loans outstanding to **Borrowers** of \$21,978,191, net of an allowance for loan losses of \$285,000. **LACE** has not charged off any loans to **Borrowers** as uncollectible and has not had any loan delinquencies as of June 30 in the past five years. The inability of **Borrowers** to make timely payments on their loans could adversely affect **LACE's** ability to make interest and principal payments on the **Certificates**.

Repayment of Certificates Dependent on Adequacy of Cash Flows

Historically, approximately 80% to 85% of the principal amount of maturing **Certificates** has been reinvested. To the extent, however, that investors elect to redeem their **Certificates** at maturity or upon demand, **LACE** must fund these redemptions, together with administrative and interest expenses, from its cash flows. **LACE** relies significantly upon the principal and interest payments received from its **Borrowers** to fund the interest payments and cash redemptions of **Certificates**. **LACE** also may utilize other sources of cash, including proceeds from the issuance of **Certificates** or other borrowings, for this purpose. For the years ended June 30, 2011, 2010 and 2009, **LACE** received payments of principal and interest on loans totaling \$2,396,531, \$2,647,763, and \$2,487,310, respectively. These payments were comprised of principal payments of \$1,249,577, \$1,602,659, and \$1,476,064 and interest payments of \$1,146,954, \$1,045,104, and \$1,011,246, respectively. **LACE** also received proceeds from the issuance of **Certificates** of \$5,302,312, \$4,917,563, and \$3,208,381, respectively. In comparison, **LACE** experienced cash redemptions of **Certificates** totaling \$3,108,636, \$2,143,000, and \$2,016,373 and made interest payments on **Certificates** totaling \$826,055, \$723,493, and \$697,028, respectively, for the years ended June 30, 2011, 2010 and 2009. If **LACE** were to experience an increase in **Certificate** redemptions at maturity or on demand, a decrease in new **Certificates** purchased, and/or a decrease in receipts of principal and interest payments from **Borrowers**, it could have a material adverse impact on the adequacy of **LACE's** cash flows to fund all redemptions and interest payments on outstanding **Certificates**.

Uninsured or Inadequately Insured Risks

Before extending a loan secured by real property, **LACE** generally requires that the **Borrower** supply mortgage title insurance in the principal amount of the loan and name **LACE** as a beneficiary under the insurance policy. However, this policy may be waived when the loan amount is less than \$65,001 and the loan is amortized for less than 85 months. **LACE** also generally requires that the **Borrower** provide proof of continuing fire insurance and extended coverage with **LACE** named as a loss payee. **LACE** makes no assurance, however, that this insurance has been required or verified in every instance. Further, **LACE** makes no assurances

that this insurance is adequate to protect **LACE**'s security interest in the property or to allow **LACE** to recover the outstanding principal amount of any loan.

Redemptions at Maturity

While the Loan **Certificates** may be renewable, and while **LACE** intends to encourage Certificate Holders to renew their **Certificates** at maturity, no assurance can be given that net redemptions will not exceed net additions through new purchases. Loans are generally made for terms of 10 years or more. Since Loan **Certificates** usually mature before **LACE**'s loan to the **Designated Organization**, a large number of redemption requests by Certificate Holders could create a cash flow problem for **LACE**, making it difficult for **LACE** to honor all redemptions. If this happens, **LACE** might be required to sell or liquidate assets, including loans receivable. **LACE** cannot assure Certificate Holders that the proceeds from such a sale or liquidation would cover all requests to redeem **Certificates** at maturity or otherwise.

Restricted Transferability/No Public Market

The **Certificates** are not freely negotiable, are restricted pursuant to requirements imposed by applicable securities laws, and are transferable only to certain eligible persons upon notice to and approval by **LACE**. There is no market for the **Certificates** and it is highly unlikely that a market will develop. **LACE** is not obligated to repurchase the **Certificates** at the request of Certificate Holders until their maturity. Consequently, Certificate Holders may not be able to resell their **Certificates**. Certificate Holders should, therefore, view the purchase of a **Certificate** as an investment for the **Certificate**'s full term. See "Description of Certificates – Transfer of the Certificates" on page 20.

Special Purpose Properties; Not All Collateral Appraised

Most of **LACE**'s loans are secured by special purpose properties that may have a limited resale market. If a **Borrower** defaults on its loan from **LACE**, the property that secures the loan may not sell for its appraised value, since the appraised value of property generally is based on its value as a special purpose property with a limited market. In addition, **LACE** does not always require appraisals of collateral as part of the loan application process. Even when an appraisal is required, **LACE** does not always obtain independent third-party appraisals, and relies to a large extent on the representations of **Borrowers**. As a result, the fair value of a specific property could be less than **LACE** believes and could be less than the outstanding amount of the loan. **LACE** cannot assure Certificate Holders that the proceeds from a foreclosure sale of a mortgaged property will be adequate to fully repay a defaulted loan. If **LACE** experiences a loss on a foreclosure sale, it would have an adverse impact on **LACE**'s financial condition and could impair **LACE**'s ability to make interest and principal payments on the **Certificates**. See "Lending Activities—Loan Criteria for Standard Loans" on page 11.

Lender Remedies May Be Limited

LACE's remedies as a creditor upon default by a **Borrower** will be subject to various laws, regulations and legal principles that provide protections to **Borrowers**. Under existing law (including, without limitation, the Federal Bankruptcy Code), **LACE**'s legal and contractual remedies may not be readily available or may be limited, and a court may refuse to order the specific performance of the covenants contained in **LACE**'s loan documents. In addition, the

laws of a particular jurisdiction may change or make it impractical or impossible to enforce specific covenants in **LACE**'s loan documents.

LACE is Engaged in a Continuous Offering of Securities

LACE has already offered, and anticipates offering in the future, certificates that are of equal standing and priority with the **Certificates** offered in this **Offering**. **LACE** reserves the right to offer additional **Certificates** or other securities that have a higher rate of return and/or that provide greater security and less risk than the **Certificates**. Although the total amount of **Certificates** to be sold pursuant to this particular Offering Circular is limited to \$12,000,000, this is not a limitation on **LACE**'s ability to sell **Certificates** or other debt securities in future years or in other offerings pursuant to an effective registration or exemption under applicable securities laws. **LACE** has been selling debt securities for over 50 years and expects to sell additional **Certificates** or other debt securities as part of this continuous offering process.

Regulatory Environment

Changes in state laws, rules, or regulations regarding the sale of debt obligations of charitable or other nonprofit organizations may make it more difficult and costly for **LACE** to offer and sell its **Certificates** in the future. Such an occurrence could result in a decrease in the amount of **Certificates** sold by **LACE**. There can be no assurance that **LACE** will continue to offer and sell its **Certificates** in the future. To the extent that **LACE** is dependent upon the proceeds from future sales of its **Certificates** to make principal payments on its outstanding indebtedness, including the **Certificates** offered in this **Offering**, a cessation or substantial decrease in such sales could adversely affect **LACE**'s ability to meet its obligations in a timely fashion.

Right of Redemption

LACE retains an absolute right to redeem any or all **Certificates** at any time upon 60 days' written notice to the Certificate Holders. See "Description of the Certificates – Redemption of the Certificates" on page 19.

Default

The **Certificates** are unsecured debt obligations of **LACE**. In the event of **LACE**'s liquidation or any distribution of **LACE**'s assets upon bankruptcy, reorganization, or similar proceedings, all **Certificates** will have an equivalent claim to **LACE**'s assets. **LACE**'s failure to pay principal and interest when due as requested by a Certificate Holder will be an event of default by **LACE**, but only as to that **Certificate**.

Relationship to Borrowers

LACE cannot be compared to a commercial lender. **LACE** has more lenient loan underwriting standards than commercial lenders and may make loans to **Borrowers** that typically cannot obtain financing from commercial sources. In view of **LACE**'s relationship with the **Borrowers**, **LACE** also may be more willing to accommodate partial, deferred, or late payments from the **Borrowers**. **LACE** has, from time to time in the past, accepted late or deferred payments. As of the date of this Offering Circular, **LACE** has never sustained a loss on

a loan based on a default by a **Borrower**, though past performance is no guarantee of future results.

Loan Policies; Construction Risks

LACE typically does not conduct a site inspection or environmental audit before approving a loan. The existence of environmental pollution or other contamination could, in some cases, result in lender environmental liability for **LACE** or impair **LACE's** security for a loan. In addition, **LACE** may not require partial completion draws that restrict the **Borrower's** ability to receive the full amount of the loan. Construction may not be pursuant to a fixed-price contract, and the contractor may not post a completion bond. In addition, possible delays in completion may occur due to shortages of materials, possible strikes, acts of nature, delays in obtaining necessary building permits or architectural certificates, environmental regulations or fuel or energy shortages. Substantial increases in construction costs or delays in or failure to complete construction could adversely affect the **Borrower's** ability to repay its loan. See "Lending Activities" beginning on page 9.

Small Loans

LACE makes some small loans. These loans are underwritten with limited or no mortgage title insurance, and may not be secured by first mortgages. Due to these factors, **LACE** may not be able to recover all of the principal and interest on these small loans if a **Borrower** defaults because the priority of **LACE's** secured position may be second or possibly third. See "Lending Activities – Outstanding Loans" on page 9, and "Lending Activities – Loan Criteria for Small Loans" on page 12.

Income Tax Risk

There are no income tax benefits with respect to investment in the **Certificates** and interest paid or payable on **Certificates** is taxed as ordinary income regardless of whether interest is paid and distributed to the **Certificate Holder**, or reinvested by the **Certificate Holder** by increasing the outstanding principal amount of the **Certificate**. See "Tax Aspects" on page 23.

Geographic Concentration

There are risks related to geographic concentration of Certificate Holders and **Borrowers** within limited regions, such that changes in economic conditions of those regions could affect the redemption and reinvestment rates of Certificate Holders and the ability of **Borrowers** to repay their loans. Approximately 34%, 16%, 14%, 9% and 7% of our **Certificates** are held by Michigan, Wisconsin, Texas, Minnesota, and Florida Certificate Holders, respectively, and approximately 34%, 15%, 8%, 7%, and 7% of our loans are to Michigan, Wisconsin, Arizona, Florida and Ohio **Borrowers**, respectively.

Certificates are Subordinated

The **Certificates** are subordinated to **LACE's** bank line of credit, and may in the future be subordinated to additional senior secured indebtedness. **LACE** had no outstanding balance on its bank line of credit as of June 30, 2011, but may choose to use the secured line of credit or

obtain other secured loans in the future. The **Certificates** would be subordinate in ranking and priority in relation to those loans. It is currently **LACE's** policy to limit the amount of its senior secured indebtedness to less than ten percent (10%) of its tangible assets. See "Financial and Operational Activities – Line of Credit" on page 14.

Right to Change Policies

This Offering Circular references **LACE's** policies at various points, such as its loan policies described on page 10, and its investment policies described on page 15. These descriptions are intended to help investors understand **LACE's** current operations. **LACE** reserves the right to change its policies, including its loan and investment policies and other policies and procedures in the future.

This Offering Circular may contain forward-looking statements about LACE's plans, strategies, objectives, goals, and expectations. These forward-looking statements are identifiable by words or phrases indicating that LACE "expects," "anticipates," "projects," "plans," "believes," or "intends" that a particular event may or will occur in the future or similarly stated expectations. These forward-looking statements are subject to many factors, including the above Risk Factors and the other information contained in this Offering Circular that could cause actual results to differ materially from the stated expectations. LACE undertakes no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date of this Offering Circular.

HISTORY AND ORGANIZATION

General

LACE is a Michigan nonprofit, non-stock directorship corporation formed on October 7, 1960, by pastors and lay members of **WELS** for the primary purpose of loaning funds to self-supporting **WELS** churches, schools and other organizations affiliated with **WELS** ("**WELS Religious Organizations**"). That purpose has expanded to include occasional loans to **ELS** churches, schools and other organizations affiliated with **ELS** ("**ELS Religious Organizations**"). **WELS** and **ELS Religious Organizations** that borrow money from **LACE** are collectively referred to in this Offering Circular as "**Borrowers.**" **LACE** attempts to offer low interest rates on its loans consistent with meeting its internal funding obligations and loan commitments. **LACE** funds its operations from the sale of Demand, Loan (Two, Three and Five-Year), and IRA Investment **Certificates** to organizations and individuals who are or are **Members** of **WELS** or **ELS Religious Organizations**, from interest and fees earned on loans, and from income earned on investments. For detailed information regarding the **Certificates**, see "Description of Certificates" beginning on page 17.

LACE is organized and operated exclusively for charitable, religious and educational purposes and is exempt from federal income tax pursuant to Section 501(c) (3) of the Internal Revenue Code of 1986, as amended ("**Code**"). The principal office of **LACE** is located at 7075 Gratiot Rd. Suite #2, Saginaw, Michigan 48609, and its mailing address is Post Office Box 6402, Saginaw, Michigan 48608.

Organization of LACE

The Board of Directors of **LACE** annually elects officers and oversees the operation of the corporation. The affairs of **LACE** are governed by its Articles of Incorporation and Bylaws, which may be amended by the Board. **LACE** has no shareholders and is managed by its officers and directors. The Board holds regularly scheduled meetings for the purpose of approving **LACE** loans and reviewing and dealing with other matters. The officers of **LACE** serve at the pleasure of the Board.

The debts and liabilities of **LACE** are solely its debts and liabilities and are not guaranteed by any other Lutheran Synod or other church body. Likewise, **LACE** does not guarantee the debts and liabilities of any other entity. Upon dissolution of **LACE**, the assets of **LACE** will be distributed to WELS Church Extension Fund, Inc., after payment of all creditors of **LACE**.

RELATIONSHIPS WITH WELS AND ELS

WELS and ELS

WELS was founded in 1850 and its headquarters are in Milwaukee, Wisconsin. **ELS** was founded in 1917 and its headquarters are in Mankato, Minnesota. Both **WELS** and **ELS** stand for orthodox, confessional Lutheranism. **WELS** is the third largest Lutheran group in the United States and **ELS** is the fourth largest.

LACE is an independent organization with no direct affiliation with either **WELS** or **ELS**. **LACE** has, however, received a resolution from **WELS** commending **LACE** as a free-standing operation serving within **WELS** by making low interest loans to **WELS Religious Organizations**. **LACE** directors may participate in **WELS** meetings and may have served or may be serving as directors, officers, and members of boards and committees of **WELS**. The Bylaws of **LACE** state that two-thirds of the Board members should be **WELS** laymen and one-third should be **WELS** pastors. **LACE** is referenced in the national literature for **WELS**, provides folders, pamphlets, and other promotional materials for **WELS** meetings, conventions, conferences, seminars and retreats, and is permitted by **WELS** and **ELS** to solicit funds through the use of pre-printed church bulletin folders that contain a response form to obtain a copy of **LACE**'s current Offering Circular. **LACE** also has a practice of donating at least 10% of its net profits each year to **WELS/ELS** or a tax exempt **WELS/ELS** organization.

LACE complements the work of **WELS** and **ELS** by encouraging self-supporting churches and affiliated organizations to originate or refinance their existing capital indebtedness through **LACE**. By saving on interest payments, **WELS** and **ELS Religious Organizations** have more funds available for local and synodical use. **LACE** also reinforces the objectives of **WELS** and **ELS** by encouraging their **Members** to purchase **Certificates** for the overall benefit of **WELS** and **ELS**.

USE OF PROCEEDS

LACE will use the proceeds of this **Offering** primarily to make low interest loans to **Borrowers** for approved purposes. These loans are made to individual **WELS** or **ELS Religious Organizations**. Loans generally are secured by a first or second mortgage on real property. **LACE** may also participate in loans originated by other church extension funds that have policies, practices, and a financial condition satisfactory to **LACE**, in an aggregate amount of up to 10% of **LACE's** loan portfolio. The "Loan Policies" section of this Offering Circular beginning on page 10 contains more detailed information on the use of proceeds for making loans.

LACE had outstanding loan commitments totaling approximately \$1,481,000 as of June 30, 2011. In the normal course of its operations, **LACE** continuously makes loan commitments for specific projects based upon the availability of funds and in accordance with **LACE's** loan policies. **LACE** may use the proceeds of this **Offering** to fund all or a portion of its loan commitments. **LACE** may have made loan commitments in contemplation of this **Offering**. **LACE** may be unable to fund all of its current loan commitments, depending on the results of this **Offering**.

LACE may also use a portion of the proceeds of this **Offering** or additional offerings of **Certificates** to meet interest and principal payments on the **Certificates**. This could be necessary if, for instance, revenues from **LACE's** loans receivable are less than **LACE** anticipates, if repayment demands on maturing **Certificates** exceed the historical experience of **LACE**, or if other available funds are insufficient to satisfy these obligations. There can be no assurance that this **Offering** or additional offerings will be successful.

Proceeds of the **Offering** that are not used for one of the above purposes will be added to **LACE's** general operating fund pending utilization for those purposes, for general operating expenses, or to maintain liquidity.

No underwriter is participating in this **Offering**, and **LACE** does not compensate any individual in connection with their participation in the offer or sale of **Certificates** by the payment of commissions or other remuneration based, directly or indirectly, on the offer or sale of the **Certificates**. **LACE** will conduct the **Offering** of the **Certificates** solely through **LACE's** directors, officers and employees who are authorized to engage in such activities in the applicable jurisdiction. **LACE** will pay all expenses of this **Offering**, including printing and mailing expenses, attorneys' and accountants' fees, and securities registration and exemption filing fees.

LENDING ACTIVITIES

Outstanding Loans

As of June 30, 2011, **LACE** had 74 outstanding loans, with principal balances receivable aggregating \$22,263,191. Of these outstanding loans, 65 loans were to **WELS Religious Organizations** and 9 loans were to **ELS Religious Organizations**. Of the 74 loans, 72 loans were secured and 2 loans were unsecured. The total principal balance receivable of unsecured loans was \$16,577, constituting 0.07% of all loans receivable.

Principal Loans

As of June 30, 2011, LACE had the following outstanding loans:

<u>Principal Loan Balance</u>	<u>Number of Borrowers</u>	<u>Principal Outstanding</u>	<u>Percent of Loan Portfolio</u>
\$0 - \$65,000	14	\$ 405,914	2%
\$65,001 - \$ 125,000	13	1,236,786	6%
\$125,001 - \$ 250,000	12	2,262,092	10%
\$250,001 - \$ 500,000	21	7,754,248	34%
\$500,001 - \$ 999,999	13	9,136,949	41%
\$1,000,000 +	1	1,467,202	7%
Total:	<u>74</u>	<u>\$ 22,263,191</u>	<u>100%</u>

During the fiscal year ended June 30, 2011, we received \$1,249,577 in loan payoffs and refinancings and/or payments of principal and \$1,146,954 in payments of interest on our outstanding loans.

Loan Policies

LACE's loan policies and practices for establishing interest rates have been established by LACE's Board. They may be changed only by the Board.

LACE loans funds to **WELS** and **ELS Religious Organizations** that are self-supporting and do not depend on **WELS** or **ELS** for financial subsidies. LACE occasionally loans funds to **ELS Religious Organizations** that are not self-supporting, but only after **ELS** co-signs on the loan. LACE loans funds to **WELS** and **ELS Religious Organizations** for (1) financing capital expansion projects (particularly for the construction, renovation, repair or purchase of facilities and real property for worship, education and ministry); (2) refinancing existing capital indebtedness; (3) making major purchases of equipment; and (4) for other projects that serve to extend the Lutheran church and its mission. If funds are available, LACE provides loans for the above purposes when LACE is satisfied from its review of the application form and related documents that the potential **Borrower** ("**Loan Applicant**") will be able to meet LACE's repayment requirements. LACE does not loan funds for general operating expenses. As of the date of this Offering Circular, the maximum loan amount permitted for a single borrower is the lesser of \$2,000,000 or 10% of LACE's loan portfolio at any given time, including approved but undisbursed loans.

When making a loan to a non-church **WELS** or **ELS** affiliated organization, LACE's policy is to require both a first mortgage on the property being purchased or improved by the affiliated organization as well as a mortgage on real estate owned by one or more **WELS** or **ELS** churches. If the affiliated organization is supported by multiple **WELS** and **ELS** churches, LACE's policy is to require each supporting church to pledge their property as collateral for the loan. LACE's policy is also to require each supporting church to submit their financial information as part of the loan application process.

Except for construction loans or special situations, LACE generally requires that **Borrowers** make minimum monthly payments that will amortize the loan in 30 years or less. In the case of construction loans, LACE typically requires interest only payments for up to the first

six months of the construction period. Thereafter, the loan payment will typically be a fixed amount of principal and interest on the entire loan. Prepayments on loans may be made on any type of loan at any time without penalty. **LACE** requires **Borrowers** to retain their own legal counsel and to pay miscellaneous charges for recording fees and any special state, county or other governmentally imposed fees.

LACE retains the right to sell loans or portions of loans to provide additional liquidity for its operations. **LACE** directly administers all loans that it originates, even if those loans are sold in whole or in part.

Loan Application, Approval and Closing Procedures

Loan Applicants may apply for a **LACE** loan by submitting a loan application form and supporting documents. Application forms are available upon request. After the initial documentation is reviewed by the **LACE** staff, the application is either suspended by the staff because it does not meet **LACE's** established standards for loan approval, approved by the President and CEO if it is within his written authority, submitted to the loan committee for approval, or submitted for review by the entire Board. All loans approved by the President and CEO or the loan committee will be reviewed at the next Board meeting. All written authority shall be granted by the Board. Board approval may be conditioned on any number of factors deemed appropriate by the Board in its sole and absolute discretion.

After a **Loan Applicant** receives approval for a loan, it may begin to seek support from its **Members** for the purchase of **Certificates**. At that time, **LACE** will include the **Loan Applicant's** loan and related **Certificate** purchases in **LACE's** cash flow projections. **LACE** provides the **Loan Applicant** with the approximate date when **LACE** funds will be available, contingent on **Members** of the **Loan Applicant** purchasing Loan or IRA Investment **Certificates** equal to a minimum percentage of the loan specified by the Board.

LACE may approve or disapprove a loan at any time during this process. Before **LACE** will disburse any money to a **Loan Applicant**, however, **LACE** must receive the completed loan application form and related documents. Closing procedures commence as soon as **LACE** approves the loan. Loan closing costs are the responsibility of the **Borrower**. **LACE** and the **Borrower** execute a promissory note for the approximate date that **LACE** will begin to disburse the loan proceeds. The first repayment due date is generally one month from the loan date, although a different date may be negotiated.

Loan Criteria for Standard Loans

Before making a loan, **LACE** may require evidence of the current market value of the property that the **Loan Applicant** will offer as security. Such evidence may consist of one or more of the following:

- (a) a formal appraisal by a certified commercial appraiser;
- (b) local government valuations, if available, recorded as property tax assessment valuations. Most church properties are exempt from tax; however, some local government assessors identify a valuation within the property rolls;

- (c) photographic or architectural evidence with a property description affidavit signed by the trustees of the **Loan Applicant**, if the loan is for less than 50% of the purported current market value of the property being offered as security;
- (d) an insurance policy indicating building replacement values; or
- (e) three or more comparative sales within 10 miles, if made within the last 3 years.

Except for small loans, **LACE**'s general policy is to make loans to **Loan Applicants** that are **WELS** and **ELS Religious Organizations** only if the loan does not exceed 66% of the value of the property that is offered as security. Any exception to this policy requires approval of the full Board, which is only rarely granted. The Board also considers available statistical and other information regarding the **Loan Applicant's** ability to repay the loan, including the **Loan Applicant's** current reports on financial matters, membership, demographics, contributions and similar pertinent data.

Except for small loans, **LACE** generally requires a first mortgage when making a loan. If a second mortgage (\$100,000 maximum) is offered as security, **LACE** will (1) require a professional appraisal of the property; and (2) review the **Loan Applicant's** repayment history.

As noted in the Risk Factors section of this Offering Circular, most loans are secured by special purpose properties that may have a limited resale market. Accordingly, a value reported to **LACE** may or may not accurately reflect the property's true market value, depending upon whether or not the appraisal or other valuation method took into account this and other factors. **LACE** does not conduct independent investigations of property values and relies to a large extent on the representations of the **Loan Applicant** and the **Loan Applicant's** agents.

Rate of Interest for Loans to WELS or ELS Religious Organizations

Each **Borrower** that is a church pays one rate of interest on that portion of the loan represented by funds received by **LACE** on the sale of Loan and IRA Investment **Certificates** to **Members** of the **Borrower** and a second rate of interest on that portion of the loan represented by other funds of **LACE**. The interest rate payable on the portion of the loan represented by Loan and IRA Investment **Certificate** funds is determined by adding a stated interest rate differential over the weighted average interest rate payable on the outstanding Loan and IRA Investment **Certificates** that are designated to the **Borrower** as of the date the loan payment is received. **LACE** charges this differential rate to cover its operating expenses and maintain its reserves. The interest rate payable on the balance of the loan represented by **LACE** funds is determined by the Board and may be changed from time to time only by the Board.

Loan Criteria for Small Loans

LACE may make small loans for up to \$65,000. The interest rate for these loans is determined by the Board in its sole discretion.

The following conditions apply to all small loans:

- (a) The loan may be for the purchase of equipment or capital improvements, but cannot be used for operating expenses, and
- (b) **Borrowers** must make a minimum monthly repayment of \$100.

For small loans of \$25,000 or less, the loan must be fully amortized over a period equal to or less than thirty-six (36) months. For small loans between \$25,001 and \$65,000, the loan must be fully amortized over a period not greater than eighty-four (84) months. **Members** of a **Loan Applicant** applying for a small loan may designate **Certificates** to their organization for that small loan. Small loans may be secured by collateral other than first mortgages on real estate. **LACE's** policy is to limit the total balance of all outstanding small loans to 5% or less of **LACE's** aggregate loan balance.

Delinquent Loans

As of June 30, 2011, **LACE** had no delinquent loans. **LACE** considers a loan delinquent when it is past due 90 days or more. As of the date of this Offering Circular, **LACE** has never experienced a loss based on a loan default, though past performance is no guarantee of future results. **LACE** did not restructure any loans in its fiscal year ending June 30, 2011, due to delinquency, though it did restructure one loan that was not delinquent to reduce the borrower's monthly payment obligation.

FINANCIAL AND OPERATIONAL ACTIVITIES

Outstanding Certificates

In the most recent fiscal year period, **LACE** had \$1,527,933 in **Certificate** renewals and \$5,302,312 in new **Certificate** sales. During the same fiscal year, **LACE** made redemptions of \$3,108,636. The following table sets forth the number of **Certificates** and the **Certificate** balances payable for which **LACE** was liable as of June 30, 2011:

<u>Description</u>	<u>Number of Certificate s</u>	<u>Balance Payable</u>
Demand Certificates	87	\$ 621,482
Two-Year Certificates	100	1,440,371
Three-Year Certificates	95	1,334,205
Five-Year Certificates	1,231	14,891,578
IRA Investment Certificates	147	4,238,231
Total	<u>1,660</u>	<u>\$ 22,525,867</u>

As of June 30, 2011, the average interest rate for all outstanding **Certificates** was 3.89%. Generally, **LACE** pays or reinvests interest on each **Certificate** annually in the month of the anniversary of the **Certificate** purchase if the balance is less than \$25,000. However, if the balance is \$25,000 or greater, interest may be paid or reinvested semi-annually; if the balance is

\$50,000 or greater, interest may be paid or reinvested quarterly; and if the balance is \$100,000 or greater, interest may be paid or reinvested monthly.

Maturity Information

Assuming outstanding Loan **Certificates** are not renewed and interest payable on these **Certificates** is not reinvested to increase the outstanding principal amount of the **Certificates**, the following table reflects approximate Loan **Certificate** maturities during years ended:

<u>June 30</u>	<u>Payments Due</u>
2012.....	\$ 2,474,144
2013.....	3,643,953
2014.....	4,437,064
2015.....	4,088,741
2016.....	<u>3,022,252</u>
Total	\$ <u>17,666,154</u>

In addition to the above Loan **Certificate** maturities, **LACE** had outstanding Demand **Certificates** in the amount of \$621,482 and outstanding IRA Investment **Certificates** in the amount of \$4,238,231, each as of June 30, 2011. **LACE** is obligated to pay the outstanding principal balance on each Demand and IRA Investment **Certificate** upon receiving 30 days notice from the Certificate Holder.

Historically, only a relatively small percentage of Loan **Certificates** have been redeemed at the end of the first maturity period. Redemptions of all maturing Loan **Certificates** in a given year have historically ranged between 25% and 30%. A very substantial percentage of Certificate Holders have historically either maintained their existing **Certificates** or reinvested the principal by purchasing additional **Certificates** at the then prevailing interest rates. Many Certificate Holders also historically elect to reinvest interest on their **Certificates**. Reinvestments of all maturing Loan **Certificates** in a given year have historically ranged between 70% and 75%.

Renewal of Loan Certificates

The Loan **Certificates** offered in this **Offering** may be renewed for their respective maturity periods. The annual interest rate upon renewal of a Loan **Certificate** varies depending on several factors as described in the “Description of Certificates” section of this Offering Circular beginning on page 17. If the annual interest rate will change upon renewal of a Loan **Certificate**, **LACE** notifies the Certificate Holder through a letter accompanied by a copy of the current Offering Circular, if not previously provided. **LACE** will only renew a Loan **Certificate** if the Certificate Holder resides in a state in which **LACE** is then registered or is exempted from registering the **Certificate** and **LACE** salespeople.

Line of Credit

LACE has a secured revolving line of credit with Fifth Third Bank. Pursuant to the line of credit, **LACE** may borrow up to \$1,500,000 at a variable interest rate equal to the bank’s current prime interest rate. Pursuant to the line of credit, **LACE** may borrow up to \$1,500,000 at a variable interest rate equal to the bank’s current prime interest rate or a minimum of 4% per

year. Any amounts borrowed under the line of credit are due and payable on September 14, 2012, at which time **LACE** may or may not renew the line of credit. As of June 30, 2011, **LACE** had no outstanding balance on this loan.

INVESTMENT ACTIVITIES

Investments

As of June 30, 2011, **LACE** had \$2,716,032 in one fixed annuity account and one deposit account with an insurance company, which are classified as cash equivalents. The fixed annuity accounts are interest-bearing and payable on demand. They are not bank deposits and are not insured by the FDIC or any governmental agency. **LACE** maintains these assets to provide necessary liquidity and in anticipation of future lending activities. **LACE** experienced investment income of \$82,330, \$55,161 and \$47,022 for its fiscal years ending June 30, 2011, 2010 and 2009, respectively, from these sources and its money market account.

Investing Policies and Objectives

LACE's investment policy has three major objectives:

- to ensure that the investment of funds is accomplished in a prudent manner, particularly with respect to limiting the exposure of **LACE** to unnecessary risk;
- to provide adequate liquidity to meet **LACE's** interest and principal payment obligations on outstanding **Certificates** and to fund **LACE's** loan commitments; and
- to structure an investment portfolio that will provide liquidity and competitive yields to Certificate Holders while maintaining sound investment criteria.

LACE currently employs an investment strategy that seeks to match dollar amounts and maturities with expected liquidity needs. Limiting the exposure of principle and interest to loss is one of the primary considerations in all investment decisions, though market risks and other factors beyond **LACE's** control could adversely impact investment performance.

Permissible Investments

LACE currently has no limit as to the amount that may be invested in a single investment, although **LACE** strives to match investment maturities consistent with the investment strategy described above. Within those constraints, **LACE's** current policy permits it to invest in:

- only securities issued or traded in U.S. dollars;
- debt obligations or debentures of, or those guaranteed by the full faith and credit of, the U.S. government or its agencies, that mature in five years or less;
- Certificates of deposits of federally insured U.S.-chartered or state-chartered financial institutions;
- mutual funds;

- securities and other investment products issued by insurance companies with an A M Best rating of A or better; and
- State and municipal securities with a rating of A or better by Moody's or the Standard & Poor's equivalent.
- WELS Investment Fund

Investment Responsibility and Authority

As of the date of this Offering Circular, **LACE's** Financial Management and Investment Committee ("**FMIC**") consists of two directors: Ned E. Kleinke and Donald H. Krueger. **FMIC** has regularly scheduled meetings, generally each month. **FMIC** is responsible for formulating the strategy used to accomplish the investment objectives stated above. **FMIC** directs **LACE's** President and CEO to buy and sell investments on behalf of **LACE**, subject to the investment guidelines described above. An analysis of **LACE's** investment activities and interest rate risk is regularly reported to **LACE's** Board of Directors. Information about the members of **FMIC** and the President and CEO is set forth in the "Management" section beginning on page 21.

MANAGEMENT DISCUSSION OF FINANCIAL OPERATIONS

As of June 30, 2011, **LACE** had aggregate assets of \$25,551,304 and liabilities of \$22,905,411, leaving an unrestricted net assets balance aggregating \$2,645,893. On that same date, \$3,489,049 of **LACE's** assets were in the form of cash, cash equivalents and other investments; \$22,525,867 of **LACE's** liabilities represented amounts due on **Certificates**. Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses or net assets

The following financial information was derived from the audited financial statements of **LACE** for the past five years:

For or as of the Fiscal Year Ended (In thousands)	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
Assets					
Cash & cash equivalents	\$ 3,489	\$ 1,974	\$ 1,264	\$ 1,024	\$ 728
Certificates of deposit & investments	0	0	28	27	222
Loans, net of allowance for loan losses	21,978	21,174	18,897	17,776	17,248
Other assets	84	55	52	73	66
Total assets	\$ <u>25,551</u>	\$ <u>23,203</u>	\$ <u>20,241</u>	\$ <u>18,900</u>	\$ <u>18,264</u>
Liabilities					
Investment certificates payable	\$ 22,526	\$ 20,332	\$ 17,558	\$ 16,366	\$ 15,167
Other liabilities	379	348	296	292	1,067
Total liabilities	\$ <u>22,905</u>	\$ <u>20,680</u>	\$ <u>17,854</u>	\$ <u>16,658</u>	\$ <u>16,234</u>
Unrestricted net assets, end of year	\$ 2,646	\$ 2,523	\$ 2,387	\$ 2,242	\$ 2,030
Less unrestricted net assets, beginning of year	2,523	2,387	2,242	2,030	1,882
Change in unrestricted net assets	\$ <u>123</u>	\$ <u>136</u>	\$ <u>145</u>	\$ <u>212</u>	\$ <u>148</u>
For or as of the Fiscal Year Ended (In thousands)	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
Unsecured and Delinquent Loans					
Unsecured – Amount	\$ 17	\$ 94	\$ 103	\$ 179	\$ 240

For or as of the Fiscal Year Ended (In thousands)	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
Unsecured – Percent	0.1%	0.4%	0.5%	1%	1.4%
Delinquent – Amount	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Delinquent – Percent	0%	0%	0%	0%	0%
Certificates					
Certificates issued	\$ 5,302	\$ 4,918	\$ 3,208	\$ 2,837	\$ 2,474
Certificates redeemed	\$ 3,109	\$ 2,143	\$ 2,016	\$ 1,638	\$ 1,465

The financial summary above and other financial information in this Offering Circular is based on the attached **Financial Statements**, which were prepared in accordance with accounting principles generally accepted in the United States of America. Financial information includes amounts that are based on management’s best estimates and judgments.

DESCRIPTION OF CERTIFICATES

LACE offers three types of **Certificates**: Demand, Loan and IRA Investment **Certificates**. The rates of interest offered on the different types of **Certificates** are set forth on the interest rate sheet enclosed with this Offering Circular. The rate of interest for each type of **Certificate** may be adjusted from time to time after the date of the interest rate sheet, and the current rates may be obtained by calling 1-888-550-5223 or visiting **LACE**’s web site at www.laceinc.org. The interest rates offered on **Certificates** are set by the Board, and by **FMIC** between Board meetings.

Purchasers of Loan and IRA Investment **Certificates** have the option of designating a particular **Loan Applicant** or **Borrower** to which **LACE** will loan the proceeds from the sale of the **Certificate**. The **Loan Applicant** or **Borrower** designated on a particular **Loan Certificate** is referred to as the “**Designated Organization**.” Alternatively, investors may purchase **Certificates** without designating any particular **Loan Applicant** or **Borrower**. **LACE** may use the proceeds from the sale of **Certificates** not designated to a particular **Loan Applicant** or **Borrower** for any purpose described in this Offering Circular.

The purchase of a **LACE** Demand or Loan **Certificate** requires a minimum investment of \$25. The purchase of a **LACE** IRA Investment **Certificate** requires a minimum investment of \$5,000. A **Certificate** begins earning interest from the date **LACE** receives payment of the purchase price. **LACE** pays interest at least annually on the **Certificates**. Each Demand and Loan Certificate Holder may elect to have interest either paid and distributed to them or reinvested to increase the principal amount of the **Certificate**. Interest earned on IRA Investment **Certificates** is automatically reinvested to increase the principal amount of the **Certificates**.

Demand Certificates

Demand **Certificates** are payable within 30 days of demand by the Certificate Holder. Demand **Certificates** may not be designated to a particular **Loan Applicant** or **Borrower**. **LACE** may use the proceeds from the sale of Demand **Certificates** for any purpose described in this Offering Circular. **LACE** may change the interest rate payable on a Demand **Certificate** with 30 days’ written notice to the Certificate Holder.

Loan Certificates

If a **Member** purchases a **Loan Certificate**, and the **Member** designates the **Certificate** to a particular **Loan Applicant** or **Borrower**, **LACE** will use the proceeds from the sale of the **Certificate** to assist in making a loan to the **Designated Organization** specified by the **Member**. As the **Designated Organization** repays its loan, **LACE** may use any **Loan Certificate** funds in excess of the **Designated Organization's** outstanding principal loan balance for any purpose described in this Offering Circular.

The interest rate payable on a **Loan Certificate** is selected by the Certificate Holder at the time of purchase from within an available range of interest rate options. The specific rates may change from time to time and current rates may be obtained by calling 1-888-550-5223 or visiting **LACE's** web site at www.laceinc.org.

The **Loan Certificates** offered in this **Offering** may be renewable at their maturity for their respective terms. **LACE** will send all investors a maturity notice at least thirty days before the maturity date of their **Loan Certificate**, together with a current Offering Circular if one has not previously been sent. **LACE** will notify the Certificate Holder of the rate of interest on the **Certificate** if it is renewed and may provide the Certificate Holder the opportunity to renew the **Certificate** for its respective term. **LACE** will renew a **Certificate** only if (1) the Certificate Holder requests renewal, or in states that so allow, does not respond to the maturity notice prior to maturity, and (2) the Certificate Holder resides in a state in which the offering of **Certificates** is then registered or exempt from registration. **LACE** may redeem the **Certificate** at maturity if the Certificate Holder resides in a state in which the offering of **Certificates** is not then registered or exempt from registration.

The rate of interest payable by **LACE** at renewal of a **Loan Certificate** will be the lesser of (1) the rate of interest originally chosen by the Certificate Holder as stated on the face of the **Certificate**, (2) the then current maximum rate of interest for a new **Loan Certificate** with the corresponding term as stated on the **Certificate**, or (3) if the original **Loan Certificate** was designated to a particular **Loan Applicant** or **Borrower** and the **Designated Organization** has not fully repaid its loan, the maximum allowed by the Designated Organization per their loan application.

IRA Investment Certificates

IRA Investment **Certificates** are payable within 30 days of **LACE's** receipt of a written demand for redemption by the Certificate Holder. **LACE** may change the interest rate payable on an IRA Investment **Certificate** with 30 days' written notice to the Certificate Holder. The principal amount of an IRA Investment **Certificate** may be increased or decreased one time per year without penalty through the investment of additional funds or the redemption of all or a portion of the **Certificate's** outstanding principal balance. Additional investments must be at least \$1,000. More than one redemption in any calendar year will generally be subject to redemption penalties described below in the "Redemption of the Certificates" subsection, though exceptions may be granted in certain circumstances. The total outstanding principal balance of an IRA Investment **Certificate** is determined by adding all additional investments, including any accumulated interest, to the original face value of the **Certificate** and subtracting all redemptions from the face value of the **Certificate**.

Certificates Held as Custodian for Minors

LACE permits Certificate Holders to hold **Certificates** in their capacities as custodians for the benefit of a minor under the Michigan Uniform Transfers to Minors Act (“**UTMA**”). **UTMA** allows an adult (usually a parent or grandparent) to make investments in a **Certificate** for the benefit of a minor without the complications of establishing a formal trust or guardianship. If an investor selects this option, **Certificate** ownership will be recorded in the Certificate Holder’s name as “custodian for minor under the Michigan Uniform Transfer to Minors Act.” By law, this ownership designation is irrevocable. The **Certificate** will be the legal property of the minor and will be subject to Certificate Holder’s control as the custodian until the minor turns 18, at which time the **Certificate** will become the unrestricted property of the minor. For more specific information about **UTMA**, including potential tax benefits and consequences, we recommend that you consult your tax advisor, attorney or financial advisor prior to investing in the **Certificates**.

Redemption of the Certificates

LACE has the right to redeem any **Certificate** at any time upon 60 days’ written notice to the Certificate Holder. Loan **Certificates** mature on the last day of their term (such term commencing on the day of issuance), except that if the maturity date is not a business day of **LACE**, then the maturity date shall be the next following business day.

If **LACE** elects to permit an early redemption of a **Certificate** by a Certificate Holder, a penalty of up to six months interest may be applied to a Five-Year Loan **Certificate** and a penalty of up to three months interest may be applied to a Two or Three-Year Loan **Certificate**. A Loan **Certificate** that has been renewed one or more times will not have a penalty imposed upon an early redemption. One full or partial redemption will be allowed per calendar year from an IRA Investment **Certificate** without penalty. Additional redemptions from IRA Investment **Certificates** during the same calendar year will be subject to a penalty equal to 1% of the amount of the redemption, though exceptions may be granted in certain circumstances.

A Certificate Holder may request redemption of a **Certificate** by making a written request to **LACE** and surrendering the original **Certificate** signed by all Certificate Holder(s) of record. A Certificate Holder may be required by **LACE** to provide verification of their signature. In the event a co-signor is deceased, has changed his or her name, or the identity of a Certificate Holder is otherwise called into question, **LACE** may require documentary evidence of identity or authority satisfactory to **LACE** prior to redemption.

Transfer of the Certificates

LACE registers original ownership of the **Certificates** on its books and on the **Certificates**. Certificate Holders may transfer the **Certificates** only to **Members** who reside in a state in which the **Offering** is registered or exempt, and only with the prior approval of **LACE**. Transferring Certificate Holders must surrender the **Certificate** to **LACE** and request that **LACE** transfer the **Certificate**. The Certificate Holder must specify the date of transfer and the name and address of the person to whom the transfer is to be made. The request to transfer must be signed by the Certificate Holder, and **LACE** may require the Certificate Holder to provide verification of their signature. The **Certificates** are not negotiable and may not be pledged or otherwise encumbered except pursuant to the foregoing transfer provisions.

PLAN OF DISTRIBUTION

LACE uses this Offering Circular, together with brochures and other advertising materials, to promote the sale of the **Certificates**. **LACE's** primary means for advertising the **Certificates** is through information and materials provided to **Loan Applicants**; through the dissemination of materials at **WELS** and **ELS** meetings, conventions, conferences, seminars and retreats; through **LACE's** website; and through the use of pre-printed church bulletin inserts. In addition, **LACE** may run advertisements in national and regional publications of **WELS** and **ELS Religious Organizations**, and may send materials directly to current and former investors.

When a **Loan Applicant** requests information about a loan from **LACE**, a **LACE** employee, officer, or a member of the Board customarily communicates with a representative of the **Loan Applicant** to explain the **LACE** program. Either the **LACE** representative, or a person designated by the **Loan Applicant**, explains to **Members** of the **Loan Applicant** the relationship between the **LACE** loan program and the need for **Members** to purchase **LACE Certificates** for the **Loan Applicant** to qualify for a loan. The designated person coordinates the distribution of the Offering Circulars to the **Loan Applicant's Members**, or **LACE** sends Offering Circulars directly to individuals who request it. Requests for Offering Circulars typically arise from a request form that is inserted in a church bulletin or from the **Loan Applicant's** communications to its **Members**. **LACE** may prepare a package of supplemental sales literature to assist **Loan Applicants** in their communications with **Members**.

LACE will not knowingly accept funds or an offer to purchase a **Certificate** unless the investor has received an Offering Circular and meets any other applicable state requirements. Organizations or individuals wishing to purchase a **Certificate** may do so by completing the Application to Purchase attached as **Exhibit B** to this Offering Circular and sending it with a check to **LACE**. If **LACE** accepts the Application to Purchase, **LACE** notifies the investor by mail and sends the executed **Certificate** to the investor. Investors seeking to purchase a **Certificate** must advise **LACE** in writing on the Application to Purchase that they have received an Offering Circular.

No broker-dealers are or will be participating in this **Offering**. No underwriting or selling agreement exists in connection with this **Offering**. **LACE** does not compensate any individual in connection with their participation in the offer or sale of **Certificates** by the payment of commissions or other remuneration based, directly or indirectly, on the offer or sale of the **Certificates**. **LACE** offers the **Certificates** solely through the Board members, officers and employees of **LACE** who have been registered or licensed, or are exempt from such requirements. **LACE's** Board members, officers and employees are not registered as broker-dealer salespersons with the Financial Industry Regulatory Authority ("**FINRA**"), but may be registered as agents or salespersons of **LACE** in certain states. These individuals answer investors' questions and may occasionally give presentations to potential investors. **LACE** is not licensed as a broker-dealer with **FINRA**, but may be registered as an issuer-dealer in certain states.

Individuals may arrange for their investment in an IRA Investment **Certificate** to be handled so as to qualify for tax deferral under provisions of the applicable tax laws dealing with IRAs and other qualified retirement plans. Under such an arrangement, a qualified financial

institution acts as the trustee of a self-directed IRA and invests the designated funds in an IRA Investment **Certificate** as directed by the investor.

MANAGEMENT

Board of Directors

The management of **LACE's** affairs is conducted by a Board of Directors consisting of 8 directors elected by a majority of directors of **LACE**. **LACE's** Bylaws provide that the Board may be composed of between 4 and 21 directors. The Board meets at regularly scheduled meetings not less often than quarterly, and at special meetings as necessary. As of the date of this Offering Circular, the following individuals serve as the Board of Directors of **LACE** and hold other positions as indicated:

Duane D. Anderson, Summerfield, Florida, age 72. Mr. Anderson has been a Board member since May 17, 2003. Mr. Anderson received his BS degree in architecture from Illinois Institute of Technology in Chicago. He has been a registered architect since 1966 and is licensed to practice in five states. He has designed over 118 **WELS** churches and renovated 24 others. Mr. Anderson served as a Staff Minister in **WELS** from 1995 to 2004. Mr. Anderson's term expires September 2012.

Scott J. Carvey, Muskegon, Michigan, age 48. Mr. Carvey has been a Board member since July 15, 2001. Mr. Carvey attended Muskegon Community College and DeVry Institutes. From 1980 to 1993, he worked in management/supervisory positions for various employers. Mr. Carvey has served as President of Interactive Media Design since 1993. Mr. Carvey's term expires September 2013.

Alfred E. Cereske, Jr., Saginaw, Michigan, age 69. Mr. Cereske has been a Board member since May, 2011. He attended Central Michigan University, Mount Pleasant, Michigan, and participated in dozens of seminars and courses offered by the American Institute of Banking and the American Trust and Investing Institute during his 34 year career in the banking industry. Following his career in banking, Mr. Cereske served as a gift planning counselor for **WELS** from 1998 to 2005, and has been retired since that time. Mr. Cereske's term expires September 2014.

Reverend Robert M. Frick, Sterling Heights, Michigan, age 41. Reverend Frick has been a Board member since July 15, 2001. He received a B.A. in Liberal Arts from Northwestern College, Watertown, Wisconsin, and a Master of Divinity from Wisconsin Lutheran Seminary, Mequon, Wisconsin. Reverend Frick served as pastor at St. Mark's Evangelical Lutheran Church, Sterling Heights, Michigan, from 1996-2006. Since July 2006, he has served as pastor at Crown of Life Lutheran Church, Warren, Michigan. Reverend Frick's term expires September 2013.

Reverend Geoffrey Alan Kieta, Livonia, Michigan, age 48. Reverend Kieta has been a Board member since July 16, 2000. He received a B.A. from Northwestern College, Watertown, Wisconsin, and a Master of Divinity from Wisconsin Lutheran Seminary, Mequon, Wisconsin. Reverend Kieta served as a missionary in Colombia from 1993-1998. From October, 1998-2007, he served as a pastor at Grace Evangelical Lutheran Church, Muskegon, Michigan. Since June 2007, he has served as pastor at

Peace Lutheran Church, Livonia, Michigan. Reverend Kieta's term expires September 2014.

Ned. E. Kleinke, CPA, Essexville, Michigan, age 56. Mr. Kleinke has been a Board member since January 2003. Mr. Kleinke received his BA in Business Administration from Saginaw Valley State University, Saginaw, Michigan in 1981. He passed the uniform CPA exam in March 1986. With three other partners, he helped form Quast, Janke and Company CPA's P.C. in 1989, where he was a partner until December, 2008. Since January, 2009, Mr. Kleinke has been self employed as a certified public accountant. Mr. Kleinke's term expires September 2012.

Donald H. Krueger, Saginaw, Michigan, age 60. Mr. Krueger has been a Board member since July 16, 2000, and LACE's President and Chief Executive Officer since October 1, 2010. Mr. Krueger received an A.A. in Business Administration from Northwood University, Midland, Michigan, and a B.B.A. in Business Administration from Northwood University, Midland, Michigan. Mr. Krueger was the Executive Vice-President of Amalgamated Credit Union, Saginaw, Michigan, where he had been employed from 2005-2009. Prior to that position, Mr. Krueger was the President and CEO of Saginaw Automotive Employees Federal Credit Union for 25 years. Prior to that position, Mr. Krueger was employed by Family Federal Savings and Loan, Saginaw, Michigan. Mr. Krueger's term expires September 2012.

Reverend Stephen P. Schamber, Wyoming, Michigan, age 49. Reverend Schamber became a Board member in 2005. He received a B.A. from Northwestern College, Watertown, Wisconsin (1989), and a Master of Divinity from Wisconsin Lutheran Seminary, Mequon, Wisconsin (1993). Reverend Schamber was a minister at Faith Lutheran Church, Tacoma, Washington from July 1993 to November 1994 and as a minister at Zion Lutheran Church, Rhinelander, Wisconsin from November 1994 to November 2004. Since November 2004, he has served as minister at Holy Trinity Lutheran Church, Wyoming, Michigan. Reverend Schamber's term expires September 2014.

Paul K. Villarruel, Livonia, Michigan, age 56. Mr. Villarruel has been a Board member since August, 2010. Mr. Villarruel received his BA from Harvard College in Cambridge, Massachusetts (1977) and a JD from the University of Michigan Law School in Ann Arbor, Michigan (1980). He has practiced law since 1980, focusing on real estate, finance, corporate and transactional law. In addition, Mr. Villarruel serves as a director of VIP Mentoring in Detroit, Michigan, a non-profit corporation engaged in providing mentoring services for youth in the Detroit area. Mr. Villarruel's term expires in September 2013.

Officers

The Board meets annually to elect **LACE's** officers for the following year. The elective offices include the Chairman of the Board, President, Vice Chairman, Chief Financial Officer, and Secretary. The term of office for all officers expires in September of each year. As of the date of this Offering Circular, the officers are as follows:

Chairman – Reverend Robert M. Frick
President, Chief Executive Officer – Donald H. Krueger
Vice Chairman, Chief Financial Officer – Ned E. Kleinke
Secretary – Reverend Stephen P. Schamber Sr.

Compensation

Members of the Board do not receive compensation for their services to **LACE** but are reimbursed for expenses incurred in attending Board meetings. **LACE** has one full-time employee and two part-time employees. The total amount paid to the employees during the fiscal year ending June 30, 2011, was \$95,875.

TAX ASPECTS

The following summarizes the material federal income tax consequences of an investment in the **Certificates** based upon the **Code**, the regulations promulgated under the **Code** and existing administrative interpretations and court decisions. Future legislation, regulations, administrative interpretations, or court decisions could change such authorities either prospectively or retroactively. This summary does not address all aspects of federal income taxation that may be important to an individual Certificate Holder in light of the Certificate Holder's particular circumstances or if the Certificate Holder is subject to special rules, such as rules applicable to financial institutions or tax-exempt organizations or to Certificate Holders who are not citizens or residents of the United States. Furthermore, this summary does not address state, local or foreign tax laws that may be relevant to a Certificate Holder.

Upon the purchase of a **Certificate**, Certificate Holders will recognize neither gain nor loss for Federal income tax purposes, and will not be entitled to a charitable deduction. The interest paid or payable on the **Certificates** (other than those issued to IRAs and various other qualified retirement plans) will be taxable as ordinary income to the Certificate Holders in the year it is paid and distributed to the Certificate Holder, reinvested by the Certificate Holder by increasing the outstanding principal amount of the **Certificate**, or accrued by the Certificate Holder depending on the Certificate Holder's method of accounting. Certificate Holders who hold **Certificates** until their maturity or who transfer **Certificates** prior to maturity will not be taxed on the return of the purchase price of the **Certificates** or on the payment of previously recognized and taxed interest. **LACE** is required to comply with applicable reporting and withholding requirements.

An individual Certificate Holder, or a husband and wife together, with **Certificates** and other investments and loans of more than \$250,000 in the aggregate with or to **LACE** and other charitable organizations that control, are controlled by or under common control with **LACE** (including districts, colleges and seminaries, and other synodically controlled organizations) may be deemed to receive additional taxable interest under Section 7872 of the **Code** if the interest rate on a **Certificate** is less than the applicable federal rate. A corresponding charitable contribution may be available to any Certificate Holder who is required to impute interest under Section 7872. Certificate Holders to whom this may apply should consult with their tax advisers regarding these special income tax rules.

Individuals may arrange with an independent trustee for their investment in a IRA Investment **Certificate** to be handled so as to qualify for tax deferral under provisions of the applicable tax laws dealing with IRAs and other qualified retirement plans. Under such an arrangement, a qualified financial institution acts as the trustee of a self-directed IRA and invests the designated funds in an IRA Investment **Certificate** as directed by the investor.

This discussion of federal income tax consequences was written to support the promotion or marketing of the **Certificates** and is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax penalties. Investors should consult with their tax advisors to determine their particular federal, state, local, foreign, and other tax consequences of an investment in the **Certificates** and regarding potential changes in applicable laws.

LEGAL MATTERS

At the date of this Offering Circular, there were no material suits, actions, or other legal proceedings or claims pending against **LACE**.

FINANCIAL MATTERS

LACE's Financial Statements consist of an independent auditors' report, statements of financial position, statements of activities, statements of cash flows, and notes to financial statements, for the fiscal years ending June 30, 2009, June 30, 2010, and June 30, 2011. The Financial Statements included in this Offering Circular have been audited by Yeo & Yeo, P.C., independent certified public accountants. It is **LACE's** policy to mail its annual audited financial statements to Certificate Holders within 120 days of its fiscal year end and upon written request.

FURTHER INFORMATION AND ADMINISTRATIVE MATTERS

LACE has filed certain documents with the appropriate state agencies, including certain exhibits and amendments, for the offer and sale of the **Certificates**. The Offering Circular does not contain all the information filed with the state agencies. **LACE** refers potential investors to these documents as a further source of information with respect to **LACE**, **WELS**, **ELS** and the **Certificates**. Potential investors may also contact **LACE** at (989) 781-1600, (888) 550-LACE (5223), or info@laceinc.org, or visit **LACE's** website at www.laceinc.org. Except as otherwise indicated, the Offering Circular speaks as of its date. The **Certificates** are either registered in, or are exempt from the registration requirements of, the various states in which they are sold. The **Certificates** are not registered or exempt in all states, and **LACE** will offer and sell its **Certificates** only in states where authorized.

HOW TO PURCHASE CERTIFICATES

Organizations and individuals wishing to purchase a **Certificate** may do so by completing the Application to Purchase that accompanies the Offering Circular, and sending it with a check to **LACE**. Prospective purchasers must indicate on the Application to Purchase that they have received an Offering Circular. **LACE** will not knowingly accept an Application to Purchase prior to the time that an investor receives an Offering Circular. If **LACE** accepts the Application to Purchase, **LACE** will notify the investor by mail and send the executed **Certificate** to the investor.

5595316-9

EXHIBIT A
Financial Statements



3023 Davenport
Saginaw, MI 48602
(989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

August 2, 2011

Management and the Board of Directors
Lutheran Association for Church Extension, Inc.
7075 Gratiot Road, Suite 2
Saginaw, Michigan 48609

We have completed our audit of the financial statements of Lutheran Association for Church Extension, Inc. as of and for the year ended June 30, 2011 and have issued our report dated August 2, 2011. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

We discussed these matters with various personnel in the organization during the audit have already met with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, and others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Yeo & Yeo, P.C.

Saginaw, Michigan

Appendix I
Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 23, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There were no significant estimates in the financial statements. The most sensitive accounting estimates and how they were derived by management are allowances for loan losses, which were determined by management.

Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility for other information in the Offering Circular containing your financial statements and report does not extend beyond the financial information identified in the report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We will review the Offering Circular to ascertain that there is not a material inconsistency with the audited financial statements and that there is not a material misstatement of fact in the other data and information. Upon a satisfactory review of the Offering Circular, we will provide a consent form for the use of the audited financial statements and report.

**Lutheran Association for
Church Extension, Inc.**

Saginaw, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2011

Lutheran Association for Church Extension, Inc.

Saginaw, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2011

Rev. Robert M. Frick	Chairman
Donald H. Krueger	President, Chief Executive Officer
Ned E. Kleinke	Vice-President, Chief Financial Officer
Rev. Stephen P. Schamber	Secretary
Duane D. Anderson	Director
Rev. Geoffrey A. Kieta	Director
Alfred E. Cereske	Director
Scott J. Carvey	Director
Paul K. Villarruel	Director

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3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

Independent Auditors' Report

Board of Directors
Lutheran Association for
Church Extension, Inc.
Saginaw, Michigan

We have audited the accompanying statements of financial position of Lutheran Association for Church Extension, Inc., (a non-profit organization) as of June 30, 2011, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of Lutheran Association for Church Extension, Inc. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Lutheran Association for Church Extension, Inc. as of June 30, 2011, 2010 and 2009, 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.

Yeo & Yeo, P.C.

Saginaw, Michigan
August 2, 2011

Lutheran Association for Church Extension, Inc.
Statement of Financial Position
June 30, 2011, 2010 and 2009

	2011	2010	2009
Assets			
Cash	\$ 773,017	\$ 139,844	\$ 204,717
Interest bearing deposits with an insurance company	2,716,032	1,834,365	1,059,133
Total cash and cash equivalents	3,489,049	1,974,209	1,263,850
Certificates of deposit	-	-	28,026
Accrued interest receivable	60,616	51,462	46,235
Loans, net of allowance for loan losses (\$285,000 - 2011, 2010 and 2009)	21,978,191	21,174,388	18,897,368
Prepaid expenses	1,222	-	1,750
Equipment and software, net of accumulated depreciation of \$ 58,325 for 2011, \$ 62,415 for 2010 and \$ 66,776 for 2009	22,226	3,239	3,637
Total assets	\$ 25,551,304	\$ 23,203,298	\$ 20,240,866
Liabilities and net assets			
Liabilities			
Investment certificates payable	\$ 22,525,867	\$ 20,332,191	\$ 17,557,629
Accrued interest payable and other liabilities	379,544	348,242	296,405
Total liabilities	22,905,411	20,680,433	17,854,034
Unrestricted net assets	2,645,893	2,522,865	2,386,832
Total liabilities and net assets	\$ 25,551,304	\$ 23,203,298	\$ 20,240,866

See Accompanying Notes to Financial Statements

Lutheran Association for Church Extension, Inc.
Statement of Activities
For the Years Ended June 30, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Interest income			
Loans	\$ 1,156,108	\$ 1,050,331	\$ 987,965
Deposits with an insurance company	81,667	54,250	45,259
Deposits with banks and money market funds	<u>663</u>	<u>911</u>	<u>1,763</u>
Total interest income	1,238,438	1,105,492	1,034,987
Interest expense on investment certificates payable	<u>857,357</u>	<u>775,330</u>	<u>701,124</u>
Net interest income	381,081	330,162	333,863
Non-interest income			
Donation income	2,000	9,102	-
Non-interest expenses			
Administrative expenses	<u>260,053</u>	<u>203,231</u>	<u>189,275</u>
Change in unrestricted net assets	123,028	136,033	144,588
Unrestricted net assets, beginning of year	<u>2,522,865</u>	<u>2,386,832</u>	<u>2,242,244</u>
Unrestricted net assets, end of year	<u><u>\$ 2,645,893</u></u>	<u><u>\$ 2,522,865</u></u>	<u><u>\$ 2,386,832</u></u>

See Accompanying Notes to Financial Statements

Lutheran Association for Church Extension, Inc.
Statement of Cash Flows
For the Years Ended June 30, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities			
Change in unrestricted net assets	\$ 123,028	\$ 136,033	\$ 144,588
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities			
Depreciation	2,791	1,417	971
Change in operating assets and liabilities			
Prepaid expenses	(1,222)	1,750	(550)
Accrued interest receivable	(9,154)	(5,227)	23,281
Accrued interest payable and other liabilities	<u>31,302</u>	<u>51,837</u>	<u>4,096</u>
Net cash provided by operating activities	<u>146,745</u>	<u>185,810</u>	<u>172,386</u>
Cash flows from investing activities			
Loans issued	(2,053,380)	(3,879,679)	(2,597,263)
Loan principal collected	1,249,577	1,602,659	1,476,064
Purchases of certificates of deposit	-	-	(801)
Proceeds from maturities and redemptions of certificates of deposit	-	28,026	-
Purchases of equipment and software	<u>(21,778)</u>	<u>(1,020)</u>	<u>(2,482)</u>
Net cash used by investing activities	<u>(825,581)</u>	<u>(2,250,014)</u>	<u>(1,124,482)</u>
Cash flows from financing activities			
Proceeds from issuance of investment certificates payable	5,302,312	4,917,563	3,208,381
Redemptions of investment certificates payable	<u>(3,108,636)</u>	<u>(2,143,000)</u>	<u>(2,016,373)</u>
Net cash provided by financing activities	<u>2,193,676</u>	<u>2,774,563</u>	<u>1,192,008</u>
Net increase in cash and cash equivalents	1,514,840	710,359	239,912
Cash and cash equivalents, beginning of year	<u>1,974,209</u>	<u>1,263,850</u>	<u>1,023,938</u>
Cash and cash equivalents, end of year	<u>\$ 3,489,049</u>	<u>\$ 1,974,209</u>	<u>\$ 1,263,850</u>

See Accompanying Notes to Financial Statements

Lutheran Association for Church Extension, Inc.
Notes to Financial Statements
June 30, 2011

Note 1 - Mission and Summary of Significant Accounting Policies

Organization, Mission and Concentrations of Risk

The Lutheran Association for Church Extension, Inc. (hereinafter referred to as the "Association") is a Michigan non-profit corporation. Its principal purpose is to provide loans to self-supporting Wisconsin Evangelical Lutheran Synod (WELS) and Evangelical Lutheran Synod (ELS) churches and schools and other organizations affiliated with WELS and ELS throughout the United States for the construction or renovation of their buildings and facilities (See Note 3). Individual congregation or organization members purchase investment certificates which help to provide the funds for the Association to lend (See Note 4). The Association's results of operations can be significantly affected by changes in interest rates or changes in the economic environment of the congregations or organizations that have received loans from the Association.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions.

Basis of Accounting

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

As there are no restrictions on net assets, all changes in net assets have been classified and reported as unrestricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, investments in a money market fund with an investment broker and interest bearing deposits with an insurance company.

The demand deposit accounts in banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. The bank balances at June 30, 2011 exceed this insured limit by approximately \$677,000.

Interest bearing deposits with an insurance company consist of deposits with Thrivent (formally Aid Association for Lutherans). Such deposits are redeemable on demand and earn interest at a variable rate, which is established annually (effective minimum rate of 3.10% at June 30, 2011). These deposits total approximately \$2,716,000 and are not insured.

Lutheran Association for Church Extension, Inc.
Notes to Financial Statements
June 30, 2011

Loans and Related Income

The Association grants mortgage loans to Lutheran congregations and related Lutheran organizations throughout the United States. The ability of the Association's borrowers to honor their contracts is dependent upon general economic conditions in the borrower's respective local market areas.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at their principal amount outstanding. Interest on loans is accrued over the term of the loan based upon the principal amount outstanding. The accrual of interest on impaired loans is discontinued when, in the opinion of management, the borrower may be unable to meet payments as scheduled. When the accrual of interest is discontinued, all uncollected accrued interest is reversed. Interest income on such loans is subsequently recognized only to the extent cash payment is received. For impaired loans not classified as nonaccrual, interest income continues to be accrued over the term of the loan based on the principal amount outstanding.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan loss expense charged to earnings. The Association has not charged-off as uncollectible any loans made to congregations. However, an allowance for loan losses is recorded because some loans may not be repaid in full. The allowance is increased by a provision for loan losses charged to expense in the statements of activities. The allowance will be decreased as loans are charged off. A charge-off, in whole or in part, occurs once a significant probability of loss has been determined, with consideration given to such factors as the congregation's financial condition and underlying collateral.

The allowance is maintained by management at a level considered adequate to absorb estimated potential losses inherent in the loan portfolio. Management's evaluation of the allowance is based on general economic conditions, information about specific borrower situations including their financial position, effects of current developments and collateral values, and other factors and estimates which are subject to change over time. Allowances for impaired loans are generally determined based on collateral value or the present value of estimated cash flows. In management's judgment, the allowance for loan losses is maintained at a level adequate to provide for estimated losses inherent in the loan portfolio. However, because of uncertainties inherent in the estimation process, it is possible that the allowance for loan losses may change in the near term.

A loan is considered impaired when, based on current information and events, it is probable that the Association will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. 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.

Lutheran Association for Church Extension, Inc.
Notes to Financial Statements
June 30, 2011

Equipment and Software and Depreciation

Equipment and software is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 10 years. The Association capitalizes purchases greater than \$ 1,000. Management annually reviews these assets to determine whether carrying values have been impaired.

Income Taxes

The Association is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from similar state and local taxes. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association generated no such unrelated business taxable income during the years ended June 30, 2011, 2010 and 2009.

The Company files information returns in the U.S. Federal and Michigan jurisdictions. Generally the statute of limitations on federal returns expires after 3 years and for Michigan returns it is 4 years.

Donations

Donations received during the years ended June 30, 2011, 2010 and 2009 were not restricted by the donors.

Subsequent Events

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Note 2 - Supplemental Cash Flows Information

Cash paid for interest on investment certificates payable for the years ended June 30, 2011, 2010 and 2009 amounted to \$842,800, \$723,493, and \$697,028, respectively.

Note 3 - Loans

The Association grants loans to congregations of the WELS and related Lutheran organizations that are self-supporting and to ELS congregations located throughout the United States. The loan portfolio consists primarily of fixed rate secured mortgage loans used for expansion of facilities, capital improvements and refinancing of loans; of which a small percentage of loans are unsecured. Certain congregations of the ELS to which the Association has made loans are not self-supporting and the Synod is a co-obligor on these loans.

The Association extends loan commitments in the normal course of business to meet the financing needs of qualifying congregations and related organizations. The Association follows the same credit policy to make such commitments, including collateral, as is followed for those loans recorded in the financial statements and does not anticipate any significant losses as a result of these commitments.

The Association had approximately \$1,481,000 of outstanding loan commitments as of June 30, 2011. These loan commitments are expected to be met when the required amount of investment certificates have been purchased by members of the borrower.

Nonaccrual of loans that were delinquent over 90 days and other impaired loans were \$0 at June 30, 2011, 2010 and 2009.

Lutheran Association for Church Extension, Inc.
Notes to Financial Statements
June 30, 2011

Note 4 - Investment Certificates Payable (Including Related Party)

The following is a summary of the distribution of investment certificates payable at June 30:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Loan certificates	\$ 17,666,155	\$ 15,282,428	\$ 13,261,627
IRA investment certificates	4,238,231	4,051,102	3,391,651
Demand investment certificates	<u>621,481</u>	<u>998,661</u>	<u>904,351</u>
Total	<u>\$ 22,525,867</u>	<u>\$ 20,332,191</u>	<u>\$ 17,557,629</u>

Loan certificates are generally purchased by members of the borrowing congregation or organization to help meet the financial need of their specific building project. Individual congregation or organization members purchase the loan certificates which help to provide funds for the Association to loan. The average interest rate paid on investment certificates was approximately 3.80% for the year ended June 30, 2011.

The Association has investment certificates held by various officers, directors, employees, and their immediate families totaling \$351,670, \$179,476, and \$169,105 at June 30, 2011, 2010 and 2009, respectively. All such investment certificate transactions are completed on substantially the same terms, including interest rates, as those prevailing at the time for other investment certificate holders. Interest paid on those investment certificates during the years ended June 30, 2011, 2010 and 2009 was not significant.

The aggregate principal amount of the 22 investment certificates that exceeded \$100,000 at June 30, 2011 was \$3,751,300.

Investment certificates payable at June 30, 2011 by scheduled maturity are summarized as follows:

Due on demand - demand certificates	\$ 621,482
Due on demand - IRA investment certificates	4,238,231
2012	2,474,144
2013	3,643,953
2014	4,437,064
2015	4,088,741
2016	<u>3,022,252</u>
Total	<u>\$ 22,525,867</u>

Lutheran Association for Church Extension, Inc.
Notes to Financial Statements
June 30, 2011

Note 5 - Operating Lease

The Association leased office space under a non-cancelable operation lease agreement during year ending June 30, 2011. The Association leased office space under an annually renewable operating lease during the years ending June 30, 2010 and 2009. Office rent expense was \$6,780 for the year ended June 30, 2011 and \$5,520 for each of the years ended June 30, 2010 and 2009.

Future minimum annual lease commitments are as follows for the years ending June 30:

2012	\$	7,200
2013		7,200
2014		<u>2,400</u>
Total	<u>\$</u>	<u>16,800</u>

Note 6 - Revolving Line of Credit

The Association has a \$1,500,000 line of credit with Fifth Third Bank which was not used as of June 30, 2011. The line of credit is collateralized by all assets owned by the Association. Bank advances on the credit line carry an interest rate of prime or a minimum of 4%, per year. Prime was 3.25% as of June 30, 2011. Accrued interest is payable monthly.

Note 7 - Retirement Plan

The Association maintains a tax deferred plan for the Chief Executive Officer. The only contributions to the plan have been made by the employee.

Independent Auditors' Report on Supplementary Information

To the Board of Directors of
Lutheran Association for Church Extension, Inc.
Saginaw, Michigan

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
August 2, 2011

Lutheran Association for Church Extension, Inc.
Schedule of Administrative Expenses
For the Years Ended June 30, 2011, 2010 and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Payroll	\$ 95,875	\$ 94,098	\$ 92,315
Payroll taxes	6,441	7,199	7,062
Legal and accounting	61,181	49,995	41,675
Depreciation	2,791	1,417	971
Publicity	2,775	522	2,043
Data operations	3,491	4,270	2,587
Office rental	6,780	5,520	5,520
Board meetings	4,092	4,028	3,808
Employee benefits	7,912	3,490	4,196
State filing fees	7,638	7,747	4,365
Insurance	4,715	3,597	3,575
Office supplies	6,890	2,155	2,677
Postage	2,928	1,671	2,490
Telephone	2,893	1,434	1,273
Printing	2,344	2,078	1,692
Office machines	3,047	1,083	383
Utilities	1,796	804	794
Travel and meals	17,057	9,875	6,995
Staff training	712	383	279
Credit line expense	800	800	1,260
Title search and loan expense	35	-	3,146
Synodical contributions	16,600	-	-
Other	1,260	1,065	169
	<u> </u>	<u> </u>	<u> </u>
Total administrative expenses	<u>\$ 260,053</u>	<u>\$ 203,231</u>	<u>\$ 189,275</u>

EXHIBIT B
Application to Purchase



**APPLICATION TO PURCHASE
LOAN AND DEMAND CERTIFICATES**

Telephone: (989) 781-1600 (Local Calls) or 1-888-550-LACE(5223)
Web Site: www.laceinc.org E-mail: info@laceinc.org

Your savings can serve congregations through an investment in the Lutheran Association for Church Extension, Inc., a Michigan nonprofit corporation of Wisconsin Synod Lutherans that helps self-supporting congregations by providing funds for capital programs at low interest rates.

PLEASE PRINT OR TYPE. FILL OUT APPLICATION COMPLETELY.

Name _____

Address _____ City _____ ST _____ Zip _____ - _____

Telephone: () _____

Church Membership: _____ Ev. Lutheran Church of (City): _____ ST _____

Check below for the requested certificate(s) and fill in the amount for each certificate requested:

<u>#of Certificates</u>	<u>Description</u>	<u>Minimum Amount</u>	<u>Investment Amount</u>	<u>Desired Interest Rate</u>
___	<input type="checkbox"/> Demand Certificate	\$25.00	\$ _____	_____ %
___	<input type="checkbox"/> Two Year Certificate	\$25.00	\$ _____	_____ %
___	<input type="checkbox"/> Three Year Certificate	\$25.00	\$ _____	_____ %
___	<input type="checkbox"/> Five Year Certificate	\$25.00	\$ _____	_____ %

To Be Designated To (2, 3 and 5-Year Certificates only): _____
CHURCH
CITY
ST

I am enclosing a check in full payment for the following indicated certificate(s) in the total principal amount of \$ _____
Make your check payable to LACE and mail to: LACE, PO BOX 6402, SAGINAW, MI 48608-6402 Please allow a minimum of two weeks' time for certificate issuance, processing and mailing.

Interest rates may change at any time – call or visit our website for current rates! LACE may change the current interest rate payable on Demand Certificates upon 30 days' prior written notice to the holders of such Certificates. LACE may also change the rate of interest on the Term Certificates to be sold in the future at anytime.

Interest payments - Check one option below as to how you wish certificate interest to be handled. (If no option is checked, interest will be retained and added to principal.)

- Add the annual interest to my certificate principal.
- Please send me the annual interest payments. (Interest will be paid within approximately 5 days after each annual period following the purchase date.)
- Interest may be paid Semi-Annual, Quarterly or Monthly if the investment is above \$25,000, \$50,000, or \$100,000 respectively (check and circle the appropriate interest interval if desired)**

Each person signing below represents, warrants and acknowledges that (1) they have received and had an opportunity to review the current LACE Offering Circular at least 48 hours prior to signing this Application; (2) each is, at the time of signing and delivering this Application, and was at the time of receiving the Offering Circular and all other communications of LACE concerning the Certificate(s) to be issued pursuant to this Application ("Certificate"), a resident of the state of residency noted above; (3) each is purchasing the Certificate for their own account and not on behalf of any other person; (4) the Certificate will be deemed to have been made in the State of Michigan, and any action arising out of it shall be governed by the laws of the State of Michigan that are applied to contracts made or to be performed in that state; (5) any action arising out of the Certificate may be brought in any District or Circuit Court for the State of Michigan, or in the United States District Court for the Western District of Michigan; and (6) by signing this Application each person consents and agrees that all such courts shall have personal jurisdiction over them with respect to any action related to the Certificate.

This offer and agreement to purchase is made as of the date stated below and the Certificates will be issued as of the date of acceptance by LACE.

Please issue the Certificate in the form of ownership and to the Investor(s) identified below and on reverse side:

Sole Owner Joint Owner Formal Trust Minor Transfer Acct (UTMA) Church or Organization

Tax Exempt Organization YES NO

Name of Primary Owner (Please include title, e.g., Mr., Mrs., Dr. Rev., etc.; if a trust, state the name and date of the trust; if an UTMA account, the name of the Minor)

Social Security Number or Tax I.D. Number

Birth date

Name of Secondary Owner or UTMA Custodian

Social Security Number or Tax I.D. Number

Birth date

Sole Ownership - If the Certificate is to be registered only in the name of one person, please give us the name and address of your nearest relative who does not live with you. This person will be contacted only should we be unable to locate you. (Print name and address of nearest relative)

Joint Ownership - Registration of the Certificate in the names of two individuals results in ownership of the Certificate in "joint tenancy with right of survivorship." Interest will be reported to Internal Revenue Service using the social security number of the first named person unless otherwise directed. **If the certificate will be owned by more than one person and you wish to require all owners to sign to redeem funds from the Certificate, please check here.**

Formal Trust - Interest will be payable only to the Trustee. *A copy of the trust agreement or a Certificate of Trust must be provided to LACE prior to opening a certificate.*

Minor Transfer Act - We will issue the Certificate to you as the Custodian for the benefit of the Minor identified above under the Uniform Transfers to Minors Act (UTMA). This election is irrevocable and the Certificate will become the unrestricted property of the Minor when the Minor reaches the age of 18. If you desire to designate a successor custodian should the named Minor remain under 18 years of age after your death, please provide the below information for your designee. You may change or revoke the successor custodian designation by written notice to us.

Beneficiary (required) – We require that you specify the name of a person(s) or organization to receive the balance of the investment remaining at the time of your death, or on the death of the last of you to die if this is a jointly owned Certificate, or your successor custodian if this is a Minor Transfer Act account and the Minor is under 18 years of age.

Name of Beneficiary / (Successor Custodian if UTMA)

Social Security Number or Tax I.D. Number

Address of Beneficiary / (Successor Custodian if UTMA)

Name of Beneficiary / (Successor Custodian if UTMA)

Social Security Number or Tax I.D. Number

Address of Beneficiary / (Successor Custodian if UTMA)

SEE PAGE 3 FOR ADDITIONAL BENEFICIARIES IF NEEDED

I hereby acknowledge receipt of LACE’s Current Offering Circular. I represent that I am 18 years of age or older. I further represent that prior to receipt of the Offering Circular, that I /we are members of, constituents of, participants in, or contributors to (collectively, “**Members**”), the Wisconsin Evangelical Lutheran Synod (“**WELS**”), the Evangelical Lutheran Synod (“**ELS**”), **LACE**, or churches, schools or other organizations that are affiliated with **WELS, ELS** or **LACE**. (as defined in the Offering Circular).

Substitute Form W-9: Under penalties of perjury, by signing below, each of the undersigned certifies that:

1. The taxpayer identification number shown for each primary owner, joint tenant, UTMA Custodian and UTMA Minor above is correct.
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) 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.
3. I am a U.S. person, including a U.S. resident alien. (Please request Form W-8 if you are a foreign person.)

Note: You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. In this case, the backup withholding rate will be 28%.

Signature _____
(Primary owner, trustee, UTMA Custodian or authorized representative)
Date _____

Signature _____
(Secondary owner or authorized representative)
Date _____

NOTE: FOR ADDITIONAL OWNER’S, TRUSTEE’S OR CUSTODIAN’ SIGNATURES SEE PAGE 3

The certificates are neither bank deposits nor bank obligations and are not insured by FDIC, SIPC, or any other state or federally regulated institution.

FOR OFFICE USE ONLY					
CTF#	DATE	AMT	DES#	INT	% PAY OR ADD

ADDITIONAL OWNER'S, TRUSTEE'S OR CUSTODIAN' SIGNATURES

Signature _____
(Primary owner, trustee, UTMA Custodian or authorized representative)
Date _____

Signature _____
(Secondary owner or authorized representative)
Date _____

Signature _____
(Primary owner, trustee, UTMA Custodian or authorized representative)
Date _____

Signature _____
(Secondary owner or authorized representative)
Date _____

Signature _____
(Primary owner, trustee, UTMA Custodian or authorized representative)
Date _____

Signature _____
(Secondary owner or authorized representative)
Date _____

Signature _____
(Primary owner, trustee, UTMA Custodian or authorized representative)
Date _____

Signature _____
(Secondary owner or authorized representative)
Date _____

ADDITIONAL BENEFICIARIES

Name of Beneficiary / (Successor Custodian if UTMA)

Social Security Number or Tax I.D. Number

Address of Beneficiary / (Successor Custodian if UTMA)

Name of Beneficiary / (Successor Custodian if UTMA)

Social Security Number or Tax I.D. Number

Address of Beneficiary / (Successor Custodian if UTMA)

Name of Beneficiary / (Successor Custodian if UTMA)

Social Security Number or Tax I.D. Number

Address of Beneficiary / (Successor Custodian if UTMA)

Name of Beneficiary / (Successor Custodian if UTMA)

Social Security Number or Tax I.D. Number

Address of Beneficiary / (Successor Custodian if UTMA)

TAX INFORMATION
THE LUTHERAN ASSOCIATION FOR CHURCH EXTENSION

INSTRUCTIONS FOR SUBSTITUTE FORM W-9

PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER CERTIFICATION

LACE (as well as all other payers of interest or dividends) must generally withhold 28% of taxable interest or dividends if:

- (1) You do not provide LACE with your taxpayer identification number (TIN), or
- (2) You do not certify your TIN when required, or
- (3) The Internal Revenue Service notifies LACE that you furnished an incorrect TIN, or
- (4) You are notified by the Internal Revenue Service that you are subject to backup withholding, or
- (5) You do not certify by signing this form that you are not subject to backup withholding under (4) above, or fail to certify your TIN.

To prevent backup withholding on interest paid, you must certify that you have provided your correct TIN to LACE; and, you must certify that you are not subject to backup withholding.

PENALTIES

Certain civil and criminal penalties may be imposed if you:

- (1) Fail to furnish your TIN to LACE unless the failure is due to reasonable cause and not willful neglect, or
- (2) Make a false statement with no reasonable basis that results in no backup withholding, or
- (3) Falsify certifications or affirmation

INVESTORS EXEMPT FROM BACKUP WITHHOLDING

Investors specifically exempted from backup withholding on all payments include organizations exempt from tax under Section 501(a), such as a member congregation the Wisconsin Evangelical Lutheran or Evangelical Lutheran Synods. However, such investors are still required by LACE to complete and sign the Application in order to avoid erroneous backup withholding.

All interest that accrues or is paid on any Certificate is subject to federal income tax in the year it is paid or accrued even though the interest is automatically added to the principal of the certificate. See Tax Aspects on page XX of the Offering Circular.

NOTICE OF RESCISSION

TO: COMMISSIONER OF SECURITIES
OFFICE OF THE SECRETARY OF STATE
802 WEST TOWER
2 MARTIN LUTHER KING, JR. DRIVE S.E.
ATLANTA, GEORGIA 30334

I hereby exercise my right to rescind my purchase of \$ _____ of debt securities of LUTHERAN ASSOCIATION FOR CHURCH EXTENSION, INC.

This rescission is made within seventy-two (72) hours of the earliest of my execution of a written agreement to purchase said shares, the delivery of a confirmation of sale of said shares to me or the payment for such shares. I understand that the effective date of this rescission shall be the date of delivery of this Notice or the depositing of same, properly addressed and with adequate postage thereon, in the United States Mail.

DATED, this _____ day of _____.

Name

Address

City

State

Zip Code

NOTICE OF RESCISSION

TO: LUTHERAN ASSOCIATION FOR CHURCH EXTENSION, INC.
7075 Gratiot Road, Suite 2
Saginaw, Michigan 48609

I hereby exercise my right to rescind my purchase of \$ _____ of debt securities of LUTHERAN ASSOCIATION FOR CHURCH EXTENSION, INC.

This rescission is made within seventy-two (72) hours of the earliest of my execution of a written agreement to purchase said shares, the delivery of a confirmation of sale of said shares to me or the payment for such shares. I understand that the effective date of this rescission shall be the date of delivery of this Notice or the depositing of same, properly addressed and with adequate postage thereon, in the United States Mail.

DATED, this _____ day of _____.

Name

Address

City

State

Zip Code

