



OFFERING CIRCULAR

**Lutheran Church–Canada, Central District
Church Extension Fund (the “Issuer”)
3074 Portage Avenue
Winnipeg, MB R3K 0Y2
1-800-663-5673**

Date: June 1, 2015

Maximum Offering: \$3,000,000.00

Distribution Period: *June 1, 2015 to May 31, 2016*

Closing: *Multiple Closings throughout the Distribution Period upon receipt of subscriptions and payment for securities offered.*

Securities Offered: *Promissory Notes (the “Notes”) in any amount not less than \$100.00 with maturity dates of one to five years with fixed interest rates. See “Summary of Notes” at page 12.*

Jurisdictions Securities Offered in: *Provinces of Saskatchewan, Manitoba and Ontario*

This offering circular constitutes an offering of the securities described herein only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This offering circular is not, and in no circumstances is to be construed as, a prospectus or advertisement or public offering of securities. No securities commission or similar regulatory authority in Canada has assessed the merits of these securities. Any representation to the contrary is an offence. This investment is subject to certain risk factors. See “Risk Factors” on page 4.

The notes are not savings or deposit accounts or other obligations of a bank and are not insured by the Canada deposit insurance corporation, any other insurance fund or any other governmental agency. The payment of principal and interest to an investor in the notes is dependent upon the issuer’s financial condition. Any prospective investor is entitled to review the issuer’s financial statements, which shall be furnished at any time during business hours upon request. The notes are not obligations of, nor guaranteed by, the Lutheran Church–Canada, Central District, or by any church, conference, institution or agency affiliated with the Lutheran Church–Canada, Central District.

This offering is not underwritten, and no commission or discount will be paid. The Issuer therefore, will receive 100% of the proceeds from the sale of the Notes and will bear all of the expenses incurred in making this offer.

No sinking fund or trust indenture will be used by the Issuer in connection with the issuance of the Notes. Investors, therefore, must rely solely upon the financial condition of the Issuer for repayment. All of the Notes are unsecured debts of the Issuer.

Eligible Investors:

The offer and sale of the notes is limited to persons who, prior to receipt of this offering circular, were members of, contributors to, or participants in the Lutheran Church–Canada, Central District including any other program, activity, or organization which constitutes a part of the Lutheran Church–Canada, Central District, or any congregation of the Lutheran Church–Canada, Central District, or other persons who are ancestors, descendants, or successors in interest to such persons, congregations, associations of member congregations, early childhood centers, elementary and secondary schools, recognized service organizations, and other organizations affiliated with the Lutheran Church–Canada, Central District, including, without limitation, auxiliary organizations, Lutheran Church–Canada financial ministries and Synodical corporations (all of which are hereinafter collectively referred to as “investors”). Any fiduciary for an individual investor other than a custodial investor shall be deemed to be an investor.

No person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this offering circular and, if given or made, such information or representations must not be relied upon as having been made or authorized by the issuer.

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Forward-Looking Statements

Statements in this Offering Circular about the Issuer’s future plans and intentions, results, levels of activity, performance, goals or achievements or other future events constitute forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

In some cases, forward-looking statements can be identified by the use of words such as “may”, “will”, “should”, “could”, “expects”, “plans”, “intends”, “anticipates”, “believes”, “estimates”, “predicts” or “potential” or the negative or other variations of these words, or other comparable words or phrases.

Although the Issuer believes that the expectations reflected in its forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements or other future events. The Issuer is under no duty to update any of the forward-looking statements after the date of this Offering Circular. Prospective investors should not place undue reliance on forward-looking statements.

Definitions

Term (and abbreviation, if any)	Explanation
Auxiliary Organization	A separately incorporated organization, national in scope, voluntary in membership and participation, formally recognized in the Synod's Synodical Bylaws, as an official auxiliary to extend its mission and ministry. Each Auxiliary Organization establishes and develops its own objectives, activities and programs.
Central District	The Lutheran Church–Canada, Central District. See “History – Lutheran Church–Canada, Central District” on page 3.
Church Extension Activities	To provide financing and services for the acquisition of sites, the construction or renovation of facilities, the purchase of buildings and equipment and other purposes approved by the Issuer's Board consistent with the ministry and mission of the Central District and to provide financing for the Issuer's own operations.
Cost of Funds (“COF”)	The weighted average annual rate of interest, determined by the Issuer, based upon the interest and other costs payable on or with respect to its Notes as shall be determined by the Issuer pursuant to its procedures as in effect from time to time.
District	A corporation established by the Synod to more effectively achieve its objectives and carry on its activities, usually within a defined geographic area.
Investors	Persons who meet the eligibility requirements under this Offering Circular to purchase Notes and who actually purchase Notes thereunder.
Issuer	Lutheran Church–Canada, Central District Church Extension Fund, a non-profit corporation established to further the Church Extension Activities of the Central District. See “Lutheran Church–Canada, Central District Church Extension Fund” on page 4.

Lutheran Church–Canada Financial Ministries	A separate body corporate under the Synod operated to further the objectives of the Synod in extension and charitable foundation activities throughout Canada.
LCC or Synod	Lutheran Church–Canada is a national religious organization that functions through its Synodical Corporations in support of its member congregations.
Notes	Term obligations (Promissory Notes) issued by the Issuer. See “Description of Notes” on page 10.
Person	An individual, a corporation, a partnership, an association, a trust or other entity.
Synodical Corporations	A number of separately incorporated entities affiliated with Lutheran Church–Canada including LCC Districts, Lutheran Church–Canada Financial Ministries, colleges, universities and seminaries.

History

Lutheran Church–Canada, Central District

Lutheran Church–Canada (the “LCC” or “Synod”) with synod (national) office in Winnipeg, Manitoba, serves approximately 62,649 members in 315 congregations in Canada. The Founding Convention of LCC in 1988 formed three Districts: Alberta-British Columbia, Central (Saskatchewan, Manitoba and Northwestern Ontario) and East (Ontario, Quebec and Maritimes). Previously the congregations of Lutheran Church–Canada were members of Lutheran Church-Missouri Synod. Lutheran Church–Canada, Central District (the “Central District”) was incorporated on July 24, 1928. The Central District serves approximately 16,366 members in 88 congregations.

Throughout the history of the Central District an active and growing mission program has been one of its principal purposes. As the congregations of the Synod became involved in mission expansion, financial resources were necessary to permit acquisition of sites and construction of church facilities. To meet this need, the Central District established a Department of Church Extension which was responsible for conducting Church Extension Activities on behalf of the Central District through the operation of a Church Extension Fund.

Lutheran Church–Canada, Central District Church Extension Fund

Lutheran Church–Canada, Central District Church Extension Fund (the “Issuer”) was incorporated in July, 2004 to replace the Church Extension Fund operated by the Central District and previously through its affiliation with the Lutheran Church-Missouri Synod since 1949. The Issuer transitioned to jurisdiction under the Canada Not for Profit Act (NFP) by obtaining a Certificate of Continuance in June 2014. The said Church Extension Fund (the predecessor of the Issuer) has an accomplished history of assisting Lutheran congregations and the Central District in their mission to spread the Gospel. The original purpose of the Church Extension Fund was to finance the acquisition of sites and the building of facilities which expand programs of ministry, witness, outreach and service of the Central District.

Operations

The Offering

The Issuer anticipates that it will issue up to \$3,000,000.00 of its Notes throughout the three provinces of Saskatchewan, Manitoba and Northwestern Ontario during the 12-month period ending May 31, 2016.

Organization

As a District corporation, the Issuer is subject to the Bylaws of the Central District and is governed by the Issuer’s articles of incorporation and bylaws.

Principal Activities

The Issuer’s primary purpose is to make funds available for Church Extension Activities. Currently, these Church Extension Activities include providing financing for the acquisition of sites, the construction or renovation of facilities, and the purchase of buildings and equipment.

Risk Factors

1. *Unsecured Obligations.* The Notes will be unsecured obligations of the Issuer and are not insured by the Canada Deposit Insurance Corporation or any other insurance fund or other governmental agency. Investors will be dependent upon the general financial condition of the Issuer for repayment of principal and interest. No sinking fund or trust indenture has been or will be established. Currently the Issuer does not have secured Investor obligations, and the Notes, therefore, will be of equal rank with all other outstanding payables of the Issuer. However, the Issuer reserves the right to issue secured Investor obligations in the future, as well as to draw upon a line of credit secured by a first lien on its assets. No public market exists for the Notes and the Notes are non-negotiable and therefore the transferability of the Notes is limited and restricted.

2. *Note Redemption.* Interest and principal payments on all of the Issuer's Notes will be made primarily from the amounts received from the principal and interest payments on its outstanding loans. It is expected that a substantial percentage of Notes will be renewed or reinvested in other Notes. If future repayment demands exceed the expected average, the Issuer may be unable to meet all redemption obligations.
3. *Interest Rate Decrease.* Upon maturity of a Note, if the Investor does not elect to redeem the Note, the Note will be automatically renewed upon the interest terms set out in a notice provided by the Issuer. If the Issuer's offered interest rates have declined from the date of the original note through the maturity date, an Investor will receive a lesser rate of return on the renewed Note.
4. *Charitable Deduction/Taxable Interest.* The purchase of a Note will not entitle the Investor to a charitable deduction for federal or provincial income tax purposes. Interest paid or payable on the Note will be taxable as ordinary income to an Investor, regardless of whether the interest is paid out or retained and compounded.
5. *Changes in Laws.* Changes in the laws of the various provinces in which the Issuer offers its Notes may make it more difficult or costly for the Issuer to offer and sell such Notes in the future. The Issuer does not believe that the continued sale of its Notes will be necessary to service its Notes. However, a decrease in the sales of its Notes could affect the Issuer's ability to meet such obligations if it did become necessary to rely on these sales.
6. *Unique Borrowers.* The relationship of the Issuer to its borrowers cannot be compared to that of a normal commercial lender. Because of the unique relationship to its borrowers, the Issuer's loan eligibility and approval criteria may be more flexible than might be applied by a typical lending institution. In view of its relationship to its borrowers, the Issuer also may be willing to accept partial, deferred or late payments.
7. *Loan Repayments.* The Issuer will have a substantial portion of its loan portfolio outstanding to congregations. The ability of each borrowing congregation to repay its loan will generally depend upon the amount of contributions it receives from its members. Accordingly, a primary factor in the Issuer's loan approval process is the history of contributions to the borrowing entity. The number of members of each congregation and the per capita contribution has fluctuated in the past and will continue to fluctuate. To the extent that a congregation granted a loan experiences a decrease in revenues, payments on that loan may be affected adversely. A secondary factor in loan approvals is the value of the collateral security for the loan, it being understood that while major loans are generally secured by first mortgages on the borrowers' properties, such properties are improved for church, charitable or educational uses and may or may not have a market value equal to the amounts loaned.
8. *District Loans.* A portion of the loans may be to congregations subsidized by the Central District. The Issuer is dependent on the financial condition of the Central

District for repayment of loans to subsidized congregations and loans to the Central District.

9. *Pre-Maturity Redemptions.* The Issuer is not required to redeem any Note prior to its maturity. However, as a matter of policy and practice, it will redeem Notes at the request of Investors upon a showing of need.
10. *Market Rate Risk.* The Issuer's investments in readily marketable securities will be subject to various market risks and investment losses may result from a drop in market values.

Use of Proceeds

The Issuer will use the proceeds from the sale of its Notes primarily to carry on Church Extension Activities within the Central District. The Issuer will also use a portion of the proceeds to provide an amount of cash and investments to fund operating expenses and loan disbursements for the next twelve months and to provide financial resources in the event higher than expected demand for withdrawal of investor payables occurs. Loans are made to congregations and other Central District or Synodical Corporations, and Auxiliary Organizations.

Funds not immediately used by the Issuer for loans or operating expenses may be invested in short, intermediate and long-term interest-bearing obligations and equity investments. Upon approval of the Issuer's Board of Directors, portions of the year's operating surplus may be distributed in the following year as grants to the Central District for church-related activities.

Financing and Operational Activities

Notes Payable

The Issuer's primary means of generating funds for Church Extension Activities is through the sale of its Notes. Proceeds to a maximum of \$3.0 million are expected from the sale of Notes over the twelve months.

Outstanding Loans Receivable

At December 31, 2014 the Issuer had loans outstanding of \$1,669,039. The primary types of borrowers and their respective balances are as follows:

Congregations	\$ 419,358
Congregation/schools	681,679
Congregation-seniors home	20,605
Mission organizations	197,982
Synodical organizations	349,416

The Weighted Average Interest Rate on the portfolio of loans receivable at December 31, 2014 is **4.65%**. Subsequent to the fiscal year end a \$250,000 loan to a Synodical organization was repaid in full.

Investments

The Issuer's policy is to maintain operating resources sufficient for the next twelve months. This is determined by adding expected loan disbursements based on outstanding commitments, subtracting anticipated loan repayments and taking into consideration anticipated Notes net activity. The Issuer also will maintain additional resources for liquidity purposes that are equal to a minimum of eight percent (8%) of the total outstanding Notes payable.

The Issuer will use the services of Investment Managers to invest surplus funds not required within a one year period. The Board of Directors approves the investment policies of the Issuer. The investment policy provides direction to the Investment Manager; by quantifying the asset mix and market risk constraints they are to use for managing the Issuer's investment portfolio. On a day to day basis, the Treasurer of the Issuer is responsible for the managerial oversight of the investment portfolio through interaction with the investment manager.

The Issuer will have three separate categories of investment (short-term, mid-term, and long-term). The short-term category is for investment capital that is expected to be required by the CEF for Note activity in a twelve to eighteen month time frame. The mid-term category is for investment capital that is expected to be required by the CEF for Note activity in an eighteen month to five year time frame. The long-term category is used to invest CEF surplus capital which is not expected to be required for CEF Note activity for at least a five year period.

Short-term category funds will primarily be invested in a TD bank savings account earning nominal interest while awaiting deployment for Note activity. On occasion a portion of short-term funds may be invested in T-bills or money market funds.

Mid-term category funds will be invested in pooled funds that will hold both fixed income and equity securities. The neutral asset mix weighting for the Mid-term category will be 75% fixed income, 15% CDN equity, and 10% foreign equity. The fixed income will be diversified between high quality government and corporate bonds designed to generate higher total return and yield. The maturity dates of the fixed income holdings will be between eighteen months and five years. The laddered maturity dates mitigate the need to sell securities to generate liquidity. The equity component will be invested in a diversified portfolio which includes publicly-listed common and preferred shares, debentures convertible into common or preferred shares, installment receipts, American Depository Receipts, Global Depository Receipts, and exchange-traded index participation units.

Long-Term category funds will be invested in pooled funds that will hold both fixed income and equity securities. The neutral assets mix weighting for the Long-term category will be 35% fixed income, 35% CDN equity, and 10% foreign equity. The fixed income will be well

diversified between high quality government and corporate bonds designed to generate higher total return and yield. The maturity dates of the fixed income holdings will generally exceed five years. The equity component will be invested in a diversified portfolio which includes publicly-listed common and preferred shares, debentures convertible into common or preferred shares, installment receipts, American Depository Receipts, Global Depository Receipts, and exchange-traded index participation units.

Lending Activities

Introduction

Loans are made to congregations and other entities within the Central District that carry on activities consistent with the ministry and mission of the Central District. Loans are made to provide the financing for real estate acquisition, construction, renovation and equipment purchases. Such loans may also include financing new ministry opportunities by providing line of credit and short-term loans for project start-up and soft-cost expenses.

In addition, loans may be made to Lutheran Church–Canada (Synod) on an unsecured basis. The proceeds of these loans will be used to provide other Synodical Corporations and Auxiliary Organizations of the Synod with financing for operations, real estate acquisition, construction, renovation and equipment purchases.

Loans to Congregations

In determining eligibility for loans, the Issuer will consider a borrower's outstanding indebtedness, prior and projected financial performance, and comparison of anticipated revenues to debt repayment requirements.

Loans made to congregations generally require a first mortgage on the property of the borrower, real estate surveys, appropriate resolutions of the borrowers, fire and extended coverage insurance.

Loans to Lutheran Church–Canada Financial Ministries

Loans to Lutheran Church–Canada Financial Ministries will be made on an unsecured basis taking into account the credit worthiness of Lutheran Church–Canada Financial Ministries.

Terms of New Loans

Currently, the loans are written at a fixed interest rate based on the Issuer's Cost of Funds. The effective rate of interest actually charged on a particular loan will be based on Issuer's Cost of Funds plus up to 5%, depending on the type of loan. All loans to congregations will be written on a 4-year fixed rate with the right to renew on the fourth anniversary date at the rate in effect at that time. Monthly payments are required on all loans with the principal on all loans up to \$250,000 amortized over a maximum 15 year period and any loans over \$250,000 amortized over a maximum 20 year period. Prepayments may be made on loans without penalty. Late payments result in a late payment penalty being charged.

Material Loans

Loans in excess of \$100,000 included in the total loan portfolio of \$ 1,669,039 at December 31, 2014 are as follows:

Organization	Number of Loans	Balance
Beautiful Savior Lutheran School, Winnipeg	1	\$ 350,197
St. John's Lutheran Church, Warman	1	249,069
Our Saviour Lutheran Church, Dryden	1	238,110
Lutheran Church–Canada (Worker Benefits)	1	250,000
Lutheran Association of Missionaries and Pilots	1	197,982
Saint James Lutheran Church, Winnipeg	1	101,161

Subsequent to fiscal year end the \$250,000 loan to LCC –Worker Benefits was fully repaid.

Delinquencies

The Issuer has made no provision for probable losses on loans. It is management's opinion that the Issuer's current loan portfolio does not require a provision for probable loan losses.

Management continues to monitor the status of loans and will provide reserves if circumstances warrant.

Financial Review

Management will on a regular basis review the Issuer's overall financial condition. This will be done by reviewing expected performance in six key areas:

1. *Source of Funds for Payment of Notes*

It is anticipated that interest and principal payments on the Issuer's Notes will be made primarily from the amounts received as principal and interest payments on the Issuer's outstanding loans.

2. *Capital Adequacy*

Management recognizes the need to maintain a strong capital position and will carefully monitor its capital position as the Issuer sells additional Notes to meet the capital financing needs of the Issuer. The Issuer's objective is to maintain net assets and loan loss reserves equal to 5% or more of total assets.

3. *Liquidity*

The Issuer's plan is to maintain an operating liquidity that will provide for cash requirements for the next twelve months. The Issuer will also maintain additional resources for its investment obligations that are equal to a minimum of eight percent (8%) of the total outstanding Notes payable.

The Issuer has a bank line of credit secured by a general security agreement. This agreement makes available \$50,000 for general and corporate liquidity purposes.

4. *Cash Flow*

Management will monitor the amount of available cash as compared to cash redemptions. The Issuer expects to meet demand for redemption of its term Notes from principal repayments of its loan receivable portfolio.

5. *Loan Delinquencies*

At December 31, 2014 principal & interest payments on the balance of Issuer's loans are current.

6. *Profitability*

The Issuer anticipates earning sufficient income from its loan and investment portfolios to cover administration expenses as well as interest expense on investor obligations. The Issuer's objective is to keep administrative costs at a minimum through the sharing of staff and other resources with the Central District. The Issuer's current cost of capital is 2.51%.

Description of Notes

Introduction

The Issuer will offer its Notes to eligible Investors. The Issuer will accept payment for the purchase of these notes via cash, personal cheque, money order, or wire transfer. All Investors will be provided statements at least annually.

The Issuer reserves the right to call the Notes for redemption at any time upon written notice and to discontinue offering any Notes described herein without the need to supplement this Offering Circular. The Issuer also reserves the right to offer additional Notes with different terms from the Notes described herein through a supplement to this Offering Circular. The Notes are non-negotiable and may be assigned only upon the Issuer's written consent.

Interest

The rates at which Notes are issued will remain in effect for their entire term. Funds received for the purchase of Notes earn interest from the date of receipt. Interest on Notes will be compounded and paid annually from the issue date. Interest shall be added to the principal, unless the Investor elects to have the interest paid directly to the Investor. This election may be changed at any time through written notice to the Issuer. Investors may, subject to a 30-day notice requirement reserved by the Issuer, withdraw any amount of interest previously added to their Notes and not withdrawn, without redeeming the Notes or being subject to any penalty on any Note.

The Issuer is not required to redeem any Note prior to its maturity date. As a matter of policy and practice, however, the Issuer will redeem Notes at the request of Investors upon a showing of need. The Issuer, however, cannot provide assurance that it will continue this practice indefinitely. When the Issuer agrees to redeem a Note, prior to maturity, an interest adjustment will be applied as outlined in the Terms and Conditions of the Promissory Note (see page 16).

Notes Offered to Individual and Organizational Investors

The Issuer offers **Fixed Rate Term Notes** to Investors and certain of its terms are set out below:

A term investment account requiring a \$100 minimum investment, offering:

- Interest rates that remains unchanged for the duration of the note.
- 1 year, 2 year, 3 year, 4 year and 5 year terms.

Maturities

The Issuer shall mail maturity notices to Investors holding Notes at least 30 days prior to the maturity of the Notes. The Issuer reserves the right (upon notice of maturity) to change the term of the Note, the frequency and method by which the interest rate is calculated, and how frequently interest is paid to the Investor or added to the Note (the "Interest Terms"). The Issuer will provide a current Offering Circular to each Investor with each maturity notice, unless a current Offering Circular has previously been provided to the Investor. The maturity notice will indicate the date of maturity and what the Note's balance of principal and accrued interest (if applicable) will automatically be renewed under the Interest Terms described in the notice unless the Investor elects in writing within 10 days after the Note's maturity date to redeem the Note. The Investor may elect to redeem, exchange or withdraw any accrued interest and invest the remaining principal balance in the Note described in the maturity notice or in any other Issuer's Note. The Investor may indicate this election by written notice to the Issuer. If the Investor elects to have the Note redeemed, payment will be made promptly by the Issuer upon receipt of the Note with proper endorsement(s).

Summary of Notes

Description	Minimum Terms	Minimum Investment	Interest Rate
Fixed Rate Term Note	1 Year	\$ 100	1.50 %
	2 Year	100	1.75%
	3 Year	100	2.00%
	4 Year	100	2.25%
	5 Year	100	2.50%

The above Notes may also be issued at 0% interest at the Investor's request.

Plan of Distribution

The primary means for offering the Notes is through the Offering Circular. Promotional material is also published in publications of the Central District. In addition, promotional material is also mailed to prospective Investors and distributed at churches, church conferences, conventions, retreats and seminars. The promotional material used by the Issuer contains a toll-free telephone number, which a prospective Investor may use to call and request an Offering Circular. An Issuer's home page for the Internet containing its Offering Circular, Promissory Note Application and promotional information is available to existing and prospective Investors at www.lcccentral.ca. No offers to purchase will be accepted prior to the time that an Investor has signed a Promissory Note Application acknowledging receipt of an Offering Circular. All Promissory Note Applications must be forwarded to the Issuer's Office for processing.

Tax Aspects

Investors will not receive a charitable deduction upon the purchase of a Note. The interest paid or payable on the Notes will be taxable as ordinary income to the holder in the year it is paid or accrued. Thus, as to interest accrued over the life of a Note, to be paid at the maturity date, all Investors must report such interest as income on their federal income tax returns and provincial income tax returns, over the life of the Note as interest accrues. Since the tax laws of each province may differ, each Investor should consult a competent tax advisor about the tax consequences. Investors who hold Notes until their maturity will not be taxed on the return of the principle purchase price or on the payment of previously accrued and taxed interest. Any excess will be interest income.

The Issuer will notify Investors of interest earned on Notes by sending them a T-5 slip by February 28th of each year.

Litigation

To the best of its knowledge, the Issuer is not aware of any pending or threatened action, proceeding, inquiry, or investigation at law, in which an adverse determination would have an adverse material impact on the Issuer. For the prior three fiscal years, there has been no material litigation involving the Issuer, or any director or officer pertaining to their duties as an Issuer, director or officer.

Management

Board of Directors

The Issuer is a non-profit corporation in Canada. The Sole Member of the Corporation is Lutheran Church–Canada, Central District. A Board of six directors is selected by the Member, with at least one director coming from each Province within the Central District.

The following persons have been elected to serve as the Board of Directors of the Issuer:

Rev. Harold Borchardt	PO Box 71, Grp. 1, RR3, Anola, MB R0E 0A0
Mr. Walter Heinemann	#910 – 1150 Broadway Ave., Regina, SK S4P 4V3
Mr. Charles Johnson	219 Sherwood Drive, Thunder Bay, ON P7B 6L2
Mr. Larry Miller	Box 1138, Melville, SK S0A 2P0
Mr. Barrie Davidson	31 Tralee Place, Winnipeg, MB R2N 1T6
(one director position vacant)	

Officers

The Board of Directors elects a Chairman, Vice-Chairman and Secretary from its members. The Treasurer of the Central District serves as Treasurer of the Issuer. The Treasurer also serves in an advisory capacity to the Board of Directors. The following persons presently serve as Officers:

Chairman

Mr. Larry Miller, born September 30, 1957, is a Chartered Public Accountant and is currently employed by a public accounting firm. He served for five years as director for the Central District prior to becoming a director for the Church Extension Fund.

Vice-Chairman

Mr. Walter Heinemann, born June 23, 1931, a life-long Lutheran has served for many years on both the Central District's and the Synod's Board of Directors in various capacities. Mr. Heinemann is a retired farmer.

Secretary

Mr. Charles Johnson, born December 6, 1953 has served as a director for the Church Extension Fund since May 2010. He is a Professional Engineer who has served his home congregation in various capacities including treasurer.

Treasurer

Mr. Don Paulus, born June 27, 1952 was appointed as treasurer for both the Central District and the Issuer on May 13, 2014. Mr. Paulus is a retired Chartered Public Accountant. Prior to serving the Church, Mr. Paulus worked in various financial capacities with the federal government. Mr. Paulus is a long-time member of Peace Lutheran Church in Winnipeg.

Executive Committee

The Executive Committee includes the Chairman, Vice-Chairman, Secretary, and Treasurer. The Executive Committee possesses, subject to restrictions, all the powers of the Board of Directors in the management and direction of the day-to-day operation of the Corporation.

Remuneration

Members of the Issuer's Board of Directors do not receive compensation for their services but are reimbursed for expenses incurred in attending board meetings. The Treasurer is paid an annual honorarium.

Legal Proceedings

No director or officer of the Issuer has, during the past ten years, been convicted of any criminal proceeding, is the subject of any pending criminal proceedings, or was the subject of any order, judgment or decree of any court enjoining such individual from any activities associated with the offer or sale of securities.

Resale Restrictions

The Notes are non-negotiable and transferability of the Notes is limited and restricted to executors, administrators and successors of Investors.

Charitable Status

The Issuer is a registered Charitable Organization.



Promissory Note

Lutheran Church-Canada, Central District
Church Extension Fund



A corporation organized and registered under the laws of Canada and registered under the laws of Saskatchewan, Manitoba and Ontario (hereinafter referred to as the "Corporation"), promises to pay to

Name on Certificate

(As joint owners with right of survivorship and not as owners in common)

(hereinafter referred to as the "Holder")

of CITY, Street Address, Postal code in the Province of Province

principal sum of

*****DOLLAR AMOUNT -----00/100** dollars (\$ AMOUNT)

in lawful money of Canada, ***XXXX**, (X) years from the date hereof, payable at the office of the Treasurer of the Corporation, together with interest as provided in articles 1 and 2 of the terms and conditions of this Promissory Note.

This Promissory Note is made pursuant to and subject to the terms and conditions set forth on the back of this Promissory Note, which terms and conditions are hereby referred to and are a part of this Promissory Note as fully as if set forth on the face of this Promissory Note.

This Promissory Note evidences a debt owed to the Holder by the Corporation. The debt is not guaranteed or insured by Canada Deposit Insurance Corporation or any other insurer or guarantor.

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be affixed hereto, and attested by the hands of its proper officers in that behalf this

XXXX day of Month, Year.

FUND MANAGER

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Terms and Conditions

1. Interest shall be at the rate of _____ percent (%) per annum (the "Greater Rate") and, unless paid annually, shall be compounded annually and paid on the maturity date of this Promissory Note, being the ____ day of _____, 20__ (the "Maturity Date") unless otherwise specified below and except as provided in clauses 2 and 3 below. It is understood that interest on this Promissory Note is/is not to be paid annually on the anniversary date being _____.
2. This Promissory Note cannot be redeemed prior to the Maturity Date without the prior written consent of the Corporation, and in such event the interest rate payable from the Corporation to the Holder shall be the lesser rate as provided in clause 3 below (the "Lesser Rate").
3. If the redemption date of this Promissory Note is:
 - a. less than one year from the date of issuance of this Promissory Note (the "Issuance Date"), the Lesser Rate shall be 0% per annum;
 - b. more than one year after the Issuance Date but less than two years after the Issuance Date, the Lesser Rate shall be the Corporation's one year Promissory Note rate in effect at the Issuance Date;
 - c. more than two years after the Issuance Date but less than three years after the Issuance Date, the Lesser Rate shall be the Corporation's two year Promissory Note rate in effect at the Issuance Date;
 - d. more than three years after the Issuance Date but less than four years after the Issuance Date, the Lesser Rate shall be the Corporation's three year Promissory Note rate in effect at the Issuance Date;
 - e. more than four years after the Issuance Date but less than five years after the Issuance Date, the Lesser Rate shall be the Corporation's four year Promissory Note rate in effect at the Issuance Date;

If the Corporation has annually paid interest to the Holder at the Greater Rate, the interest already so paid shall be adjusted to the Lesser Rate and the difference shall be deducted from the remaining interest and principal otherwise payable to the Holder.

4. The Corporation shall pay to the Holder, at the Maturity Date, all sums due and payable pursuant to this Promissory Note.
5. The Corporation shall at all times have and retain the right and privilege to retract this Promissory Note upon written notice to the Holder, and in such event the Corporation shall pay interest at the Greater Rate, to the date of retraction.
6. A Holder wishing to have this Promissory Note continue in force after the Maturity Date does not have to surrender it for a new Promissory Note. If this Promissory Note is not retracted, redeemed or surrendered within (10) days after the Maturity Date, it shall be automatically renewed as at the Maturity Date on the same terms and conditions as provided in this Promissory Note, except as to interest rate, which shall be at such interest rate as set by the Corporation from time to time respecting its Promissory Notes.
7. This Promissory Note is non-transferable and non-assignable by the Holder and is redeemable only by proper endorsement on the back thereof at the office of the Treasurer of the Corporation.
8. No official of the Corporation, or any other person, is authorized to alter or change any of the terms and conditions of this Promissory Note, and the Corporation shall not be bound by any statement, representation or agreement whatsoever, not contained in this Promissory Note.
9. This Promissory Note shall operate to the benefit of, and shall be binding on, the Corporation, the Holder, the heirs, executors, administrators and other personal representatives and successors of the Holder and the assignees and successors of the Corporation.

Lutheran Church–Canada, Central District Church Extension Fund

Privacy Protection Pledge

We want to make sure that we comply with the new legal obligations imposed by the federal government's Personal Information Protection and Electronic Documents Act ("*PIPEDA*") regarding the collection, use and disclosure of personal information in commercial activities.

That is why we have developed this Privacy Protection Pledge. We want you to understand the purposes for which we collect personal information. We also want to make sure that we have your consent to continue to collect, use and disclose your personal information for these purposes.

We have also developed a Privacy Policy, which specifies and describes the principles and guidelines that we have adopted for the collection, use, disclosure and retention of personal information. This Privacy Policy may be viewed at our website www.lcccentral.ca or is available upon request.

The following is a brief summary of our privacy practices:

What is personal information?

Personal information is any information that can be used to identify, distinguish or contact a specific individual. Personal information can include facts about, or related to, an individual, as well as an individual's opinions or beliefs. Personal information does not include publicly available information (for example, names, addresses and telephone numbers which are published in telephone directories) or business contact information (for example, the name, title, business address or telephone number of an employee of an organization).

Why do we collect personal information, and how do we use it?

In carrying out our organizational activities, we collect personal information about our investors and other stakeholders. We respect your privacy, which is why we collect and use personal information only for the following purposes:

1. To identify our investors and other stakeholders;
2. To establish and maintain responsible relationships with our investors and other stakeholders;
3. To understand, develop and/or enhance the needs, desires, concerns or opinions of our investors and other stakeholders;

4. To carry out our organizational activities, all with a view to advancing the goals of our Mission Statement;
5. To manage and develop our business and operations; and
6. To meet legal and regulatory requirements.

We collect information only by lawful and fair means, and not in an unreasonably intrusive way. Wherever possible, we try to collect your personal information directly from you.

When do we disclose personal information?

There are a variety of circumstances where we may need to disclose some personal information about our investors and other stakeholders. For example, we may disclose an individual's personal information:

1. To our employees and members of our audit committee;
2. To our external auditors;
3. To a person who, in our reasonable judgment, is seeking the information as an agent of that individual. For example, we may provide information about an individual's investments to that individual's legal, accounting or financial advisors if we are satisfied that an advisor is requesting the information on behalf of that individual;
4. To a third party who requires such information in order to assist us in the general administration and/or operation of our church extension activities;
5. To a third party who requires such information and who is affiliated with or otherwise related to or part of Lutheran Church–Canada;
6. To a third party with whom we may at any time in the future be negotiating for the purpose of that third party taking over some or all of our church extension activities;
7. To a public authority or agent of a public authority if, in our reasonable judgment, it appears that there is imminent danger to life or property, which could be avoided or minimized by the disclosure of the information;
8. To a third party where that individual has consented to such disclosure; and
9. To a third party where such disclosure is required or permitted by law.

Any disclosure of an individual's personal information that is contemplated in any of items 1 to 8, both inclusive, will be made on a "need to know" and, where appropriate, on a confidential basis. We use contractual or other means to protect the information and to make sure that the information is used only for the purpose(s) for which it was disclosed.

How do we protect your personal information?

In order to protect your personal information, we will:

1. Not collect, use or disclose your personal information for any purpose other than those identified above, except with your further consent. Consent for any of the identified purposes or for any additional purpose can be provided in writing, orally or electronically. Consent can be expressed or it may be deemed or implied in appropriate circumstances;
2. Protect your personal information with security safeguards that are appropriate to the sensitivity of the information;
3. Protect the confidentiality of your personal information when dealing with other organizations;
4. Use reasonable efforts to keep your personal information as accurate and up-to-date as is necessary for the purposes for which it is to be used and/or disclosed. Your assistance in keeping your personal information up to date is greatly appreciated; and
5. Respond to any request you may make for access to your personal information. We will need specific information from you to verify your identity before we can respond to your request. In addition, there may be instances where we will not be able to provide you with the personal information that you have requested. If we deny your request for access to your personal information, we will provide you with an explanation in writing.

What are your choices?

We would like to have your consent to continue to collect, use and disclose your personal information for the purposes identified above. However, you do have choices, and you can refuse or withdraw your consent as follows:

1. You may refuse to provide your personal information to us. You may also withdraw your consent for us to collect, use or disclose your personal information at any time, subject to legal or contractual restrictions and reasonable notice. However, in either case, this may limit or eliminate altogether our ability to treat you as an investor, to involve you in other organizational activities and/or to communicate with you.
2. You may have your name removed from our telephone, mail or e-mail lists. We use these lists to inform you of relevant activities or initiatives that we are contemplating or undertaking and that we think may be of interest to you.

If you have any questions or concerns about our privacy practices, please contact our Privacy Officer by:

Telephone:	1-800-ONE-LORD (1-800-663-5673) (204) 832-7242 in Winnipeg
Mail:	3074 Portage Avenue Winnipeg, Manitoba R3K 0Y2
Fax	(204) 897-4319
e-mail:	cef@lutheranchurch.ca

Otherwise, we will assume that we have your consent to collect, use and disclose your personal information (including personal information that we have previously collected) for the identified purposes and in a manner consistent with our Privacy Policy. Finally, please note that our Privacy Policy only applies to personal information and not to corporate information.

For a copy of PIPEDA or to contact the Privacy Commissioner of Canada, please visit the Office of the Privacy Commissioner of Canada's Internet web site at: www.privcom.gc.ca

Financial Statements of

**LUTHERAN CHURCH -
CANADA, CENTRAL DISTRICT
CHURCH EXTENSION FUND**

Year ended December 31, 2014



KPMG LLP
Suite 2000 - One Lombard Place
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Canada

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INDEPENDENT AUDITORS' REPORT

To the Member of Lutheran Church - Canada, Central District Church Extension Fund

We have audited the accompanying financial statements of Lutheran Church - Canada, Central District Church Extension Fund, which comprise the statement of financial position as at December 31, 2014, the statements of revenue and expenditures and net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lutheran Church - Canada, Central District Church Extension Fund as at December 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants

February 23, 2015

Winnipeg, Canada

LUTHERAN CHURCH - CANADA, CENTRAL DISTRICT CHURCH EXTENSION FUND

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	\$ 874,830	\$ 271,687
Accounts receivable (note 8)	34,340	28,494
Current portion of loans receivable (note 3)	184,756	218,574
Short-term investments (note 4)	922,122	1,526,167
	<u>2,016,048</u>	<u>2,044,922</u>
Loans receivable (note 3)	1,484,283	1,615,932
Intangible assets, net of accumulated amortization (note 5)	—	5,410
	<u>\$ 3,500,331</u>	<u>\$ 3,666,264</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 39,306	\$ 33,932
Current portion of promissory notes (note 6)	584,519	1,430,563
	<u>623,825</u>	<u>1,464,495</u>
Promissory notes (note 6)	2,135,151	1,495,736
Net assets:		
Unrestricted	741,355	706,033
	<u>\$ 3,500,331</u>	<u>\$ 3,666,264</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

LUTHERAN CHURCH - CANADA, CENTRAL DISTRICT CHURCH EXTENSION FUND

Statement of Revenue and Expenditures and Net Assets

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Interest income:		
Interest - loans (note 8)	\$ 81,534	\$ 103,789
Investment income	80,735	41,617
	<u>162,269</u>	<u>145,406</u>
Interest expense - promissory notes	<u>74,726</u>	<u>77,450</u>
Net interest income	87,543	67,956
Expenditures:		
Amortization	5,410	5,410
Board meetings	2,286	3,078
Occupancy costs (note 8)	1,300	2,937
Contracted services and professional fees (note 8)	33,004	21,551
Promotional materials	3,280	2,530
Salaries (note 8)	2,378	10,268
Sundry	4,563	4,983
	<u>52,221</u>	<u>50,757</u>
Excess of revenue over expenditures	<u>35,322</u>	<u>17,199</u>
Unrestricted net assets, beginning of year	706,033	688,834
Unrestricted net assets, end of year	<u>\$ 741,355</u>	<u>\$ 706,033</u>

See accompanying notes to financial statements.

LUTHERAN CHURCH - CANADA, CENTRAL DISTRICT CHURCH EXTENSION FUND

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 35,322	\$ 17,199
Item not affecting cash:		
Amortization	5,410	5,410
Change in non-cash operating working capital:		
Accounts receivable	(5,846)	(27,774)
Accounts payable and accrued liabilities	5,374	(15,222)
	40,260	(20,387)
Financing activities:		
Principal repayment of promissory notes, net	(206,629)	(21,611)
Investing activities:		
Decrease (increase) short-term investments, net	604,045	(85,610)
Repayments of loans receivable	415,467	430,707
Issuance of loans receivable	(250,000)	(45,000)
	769,512	300,097
Increase in cash	603,143	258,099
Cash, beginning of year	271,687	13,588
Cash, end of year	\$ 874,830	\$ 271,687

See accompanying notes to financial statements.

LUTHERAN CHURCH - CANADA, CENTRAL DISTRICT CHURCH EXTENSION FUND

Notes to Financial Statements

Year ended December 31, 2014

1. General:

Lutheran Church - Canada, Central District Church Extension Fund (CEF) was incorporated under the *Canada Corporations Act* on July 13, 2004. On June 23, 2014, CEF was granted a Certificate of Continuance under the Canada Not-for-profit Corporations Act. CEF's primary purpose is to make funds available for Church Extension activities. The activities include providing financing of sites, the construction or renovation of facilities, and the purchase of buildings and equipment.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

CEF follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income on loans receivable and investments is recorded on the accrual basis.

(b) Income taxes:

CEF is exempt from income taxes under the provision 149(1) of the *Income Tax Act*.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. CEF has not elected to carry any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

LUTHERAN CHURCH - CANADA, CENTRAL DISTRICT CHURCH EXTENSION FUND

Notes to Financial Statements (continued)

Year ended December 31, 2014

2. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CEF determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CEF expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Intangible assets:

Intangible assets are stated at cost, net of accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets. The only asset of this nature reported in these statements is computer software with an estimated useful life of 5 years.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. Loans receivable:

Loans receivable consist mainly of individual loans to congregations and other affiliated organizations ranging up to \$350,197 (2013 - \$394,284), which are repayable in monthly instalments at interest rates between 4.5 percent and 5.0 percent (2013 - 4.5 percent and 5.5 percent). Facilities are pledged as collateral for major loans with the exception of loans to Lutheran Church - Canada and Lutheran Church - Canada Workers Benefit Plan (note 8) which are unsecured.

LUTHERAN CHURCH - CANADA, CENTRAL DISTRICT CHURCH EXTENSION FUND

Notes to Financial Statements (continued)

Year ended December 31, 2014

4. Short-term investments:

	2014	2013
Mutual funds	\$ 922,122	\$ 848,734
Guaranteed investment certificate, interest rate of 2.15%	—	200,000
Corporate bonds	—	473,133
Cash	—	4,300
	<u>\$ 922,122</u>	<u>\$ 1,526,167</u>

5. Intangible assets:

	2014		2013	
	Cost	Accumulated amortization	Net book value	Net book value
Computer software	\$ 27,051	\$ 27,051	\$ —	\$ 5,410

6. Promissory notes:

The promissory notes have interest rates which vary between 1.50 percent and 3.00 percent (2013 - 2.00 percent and 3.75 percent) and mature over terms varying from one year to five years. These notes are unsecured.

Principal payments required on the promissory notes until maturity are as follows:

2015	\$ 584,519
2016	752,695
2017	518,051
2018	123,549
2019	740,856
	<u>\$ 2,719,670</u>

LUTHERAN CHURCH - CANADA, CENTRAL DISTRICT CHURCH EXTENSION FUND

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Operating line:

CEF has a bank line of credit totaling \$50,000, secured by a general security agreement. It bears interest at prime plus 2 percent and at year-end, no amount had been advanced on this line of credit.

8. Related party transactions:

CEF is related to Lutheran Church - Canada Central District (CD), Lutheran Church - Canada (LCC), Lutheran Church - Canada Financial Ministries (LCCFM), and Lutheran Church - Canada Workers Benefit Plan as CEF has economic interests in these not-for-profit organizations. CD is the sole member of CEF.

Included in accounts receivable at December 31, 2014 is \$34,070 (2013 - \$28,343) that is due from CD and included in accounts payable and accrued liabilities is \$7,838 (2013 - \$415) that is due to CD.

Included in expenditures are allocations from CD for direct costs of \$2,378 (2013 - \$10,268) for salaries and nil (2013 - \$1,650) for occupancy costs as well as \$27,342 (2013 - \$20,138) for contracted services from LCC.

In addition, LCC and Lutheran Church - Canada Workers Benefit Plan have loans from CEF of, \$99,416 and \$250,000, respectively, as at December 31, 2014 (2013 - \$115,000 and \$250,000), bearing annual interest rates of 4.5 percent and 5.0 percent, respectively. These loans earned interest income during the year ended December 31, 2014 of \$4,861 (2013 - \$9,966) and \$12,500 (2013 - \$12,500), respectively.

LUTHERAN CHURCH - CANADA, CENTRAL DISTRICT CHURCH EXTENSION FUND

Notes to Financial Statements (continued)

Year ended December 31, 2014

9. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. CEF is exposed to credit risk with respect to accounts receivable and loans receivable. CEF assesses, on a continuous basis, accounts receivable and loans receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There is no allowance for doubtful accounts related to accounts receivable and loans receivable at December 31, 2014 and 2013. There has been no change to the risk exposure from 2013.

(b) Liquidity risk:

Liquidity risk is the risk that CEF will be unable to fulfill its obligations on a timely basis or at a reasonable cost. CEF manages its liquidity risk by monitoring its operating requirements. CEF prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2013.

(c) Interest rate risk:

CEF is exposed to interest rate risk on its fixed rate financial instruments such as fixed rate investments, loans receivable and promissory notes. Further details about the fixed rate investments, loans receivable and promissory notes are included in note 3, 4 and note 6, respectively. Fixed-rate instruments subjects CEF to a fair value risk. CEF is exposed to this type of risk as a result of investments in bonds. CEF has appropriate guidelines on the weighting and duration of bonds and other fixed rate investments which are monitored by the Board of Directors. There has been no change to the risk exposures from 2013.