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Replaces: April 4, 2003

INVESTMENT & SPENDING POLICY

For

Lutheran Church of the Resurrection's Endowment Fund (EF)

I. Investment Horizon

The Bylaws of the EF clearly state that the EF is an "in perpetuity" fund. This translates into investment decisions being made in the context of long-term trends and expectations, e.g. 10-15 years and beyond. The EF Board should not attempt to use short term, market timing considerations as part of their basic investment evaluation process.

II. Investment Objective

In order to ensure that the EF is managed in such a way that it will continue to have an impact into perpetuity, the following portfolio return objective is established:

"The EF should be managed in such a way that the mid term (say 5-10 years) annual rate of return will be in the 6-7% range. This return is projected to be comprised of three components: a) 3% to cover longer term inflation expectations; b) 1% to cover investment/other fees; and c) 3% as a "real" return."

This Objective allows for a reasonable level of spending of Income/Appreciation (see V below), while still maintaining the opportunity for modest growth in the real spending value of the assets.

III. Investment Vehicles

The limited number of acceptable financial vehicles to be used for investment is a reflection of the long term, relatively low risk positioning of the EF. The permissible investment vehicles are:

- Equity mutual funds publicly traded on a US exchange
- Bond funds publicly traded on a US Exchange
- Annuities from highly rated providers

No speculative investments are to be made (e.g., short sales, Put/Call options, margin transactions, private placements, securities of a portfolio manager, etc. Exceptions to the above permissible list can be made by the EF Board with such decision being properly documented in the relevant meeting minutes.

IV. Asset Allocation

Most research attributes approximately 90% of a portfolio return to the related asset allocation decisions. The Asset Allocation of EF is intended to balance a) the Trustee's long term, "in perpetuity" mandate and b) the need to generate sufficient current income to ensure the EF is viewed as a vital contributor to the mission of the church as envisioned by the donors. In keeping with these twin challenges, a macro level Asset Allocation of 60-70% Equities and 30-40% Fixed Income allocation is established. It's recognized that there will always be some cash due to transaction timing, etc, but it is not

considered part of the investment strategy i.e. the intent is to for the portfolio to be fully invested in the market. The determination of the sub Asset Classes (e.g.. Large Cap, Small Cap, Govt. Bonds, etc) is left to the judgment of the EF Board rather than being part of this policy.

As an operating practice it is expected that the actual allocation of the portfolio will fall within the Equity/Fixed Income ranges prescribed above, +/- 5%. In any event, the actual allocation should be brought into conformance on at least an annual basis.

V. Spending (Grants) Policy

The Spending Policy of EF is defined in terms of its three basic fund components:

- Principal: Comprised of contributions from members and friends. The cumulative total for each of the sub funds will be maintained as part of the Treasurer's ongoing documentation. The principal is NOT available for grants;

- Income/Appreciation: Defined as the difference...positive or negative...between the total net value of the assets at any point in time and the above defined Principal. This will include prior earnings (interest, dividends, etc.), net gains/losses on sales, and unrealized changes in invested assets less allocated operating fees and expenses

- Available for Spending (Grants): All Income/Appreciation is available for grants subject to one critical restriction. The restriction is that no grant is to be made that would cause the net asset value for any individual fund to fall below the Principal of the fund as defined above.

Changes to this Policy require the approval of a majority of the EF Board and the meeting minutes should reflect changes made.