

**MINUTES**  
**(Pending)**

**BOARD OF DIRECTORS**  
**The Lutheran Church—Missouri Synod**  
**August 25 – 26, 2011**  
**St. Louis**

**60. Call to Order, Opening Prayer, Approval of Agenda**

Chairman Robert Kuhn called the meeting to order with two members not present due to a personal matter and a schedule conflict: James Carter and Kermit Brashear. Chairman Kuhn called on Donald Muchow, who served as chaplain throughout the meeting, to provide an opening devotion.

Chairman Kuhn called the board's attention to the agenda for the meeting, noting changes in its order to allow for telephone conference participation by one of the absent members, James Carter. Several other changes and additions were made before a motion "to approve the changed agenda, allowing for additional changes by the chairman as needed" was introduced and carried.

**61. Officer Reports**

**A. President's Report**

President Matthew Harrison called attention to his printed report (Section A, pages 1–3, attached to the protocol copy of these minutes). He reported that "things have been quiet, going well" and called particular attention to a number of items in his report:

- His visits to Japan and Korea went well, the visit to Korea "of great significance," including a visit to Luther Tower in Seoul and "invigorating and enlivening" visits to Korean educational institutions and conversations with pastors. The main purposes of the visit to Japan were to see first-hand its tsunami-affected areas and to address the recently strained relationship with the Japan Lutheran Church (NRK) over the issue of women's ordination. The visit, which provided an opportunity "to clear the air, to confess mutual shortcomings, and to rejoice in the forgiveness and love we share in Christ Jesus," resulted in renewed commitment toward mutual support. The NRK was offered several deaconess scholarships with an emphasis on care in the time of disaster, accompanied by an immediate transfer of \$1 million for pan-Lutheran relief efforts in Japan.
- He called on Barbara Below of his staff for comment regarding restructuring progress being made. Phase 1 of the restructuring process has now been completed (new departments and working groups have been delineated and most leadership positions have been filled) and Phase 2 has begun with the assistance of Robert Gleason, an experienced consultant in the area of organizational change. Morale in the International Center has improved greatly.
- With Phase 1 of the restructuring completed, the President's Office is giving attention to convention resolutions requiring the President's direct involvement. He noted that two 2010 convention actions (Res. 8-07 "To Study Future District Function and Configuration" and Res. 8-30B "To Study Article VI of Synod's Constitution") require consultation with the Board of Directors. He asked that this report be regarded as his official consultation with the board regarding his plans for carrying out his convention-mandated responsibilities as outlined in the resolutions. He shared that he is moving toward the appointment of task forces in both cases, with the philosophy of not forcing actions but allowing change to come from the grass roots. He also noted his responsibilities mandated by Res. 8-32B "To Study Article VII of Synod's Constitution"

and announced his plan to commence a synodwide study of the document *Congregations of the Synod: Background Materials on the Advisory Nature of the LCMS* in the near future.

- He spoke of his participation in a June 30, 2011 Seminary Global Impact Meeting which included LCMS World Mission leaders and representation from both seminaries. The purpose for the meeting was to discuss past, present, and future LCMS theological education around the world. In response to his proposal to raise funds for a global theological education initiative, it was agreed that a subcommittee would be formed to “develop policies regarding the use of funds, priorities, and plans for future theological education goals.” President Harrison stated his goal from the Seminary Global Impact Meeting: “to use the capacity at the seminaries, under-used at present, to offer what we have to the world to cultivate future world leadership in Lutheranism, as in Japan and Kenya.” He added that the LCMS has “a huge gift to offer, especially to the global south.”
- He concluded his comments regarding matters in his printed report with brief comments regarding the “Sending Service” for 34 missionaries recently held at the International Center, a “glorious day” for the Synod, and the installation service of Rev. Bart Day as Executive Director of the Office of National Mission.

President Harrison concluded his report with comments regarding other items not detailed in his printed report, including (1) the predicament faced by social service agencies in the State of Illinois following the passage of a law which disallows government funding for agencies that do not place adoptive children with gay/lesbian couples (the LCMS is supporting efforts to contest this law by the Roman Catholic Church and the Thomas Moore Society), stating that, in an effort to be “kind and wise with these issues,” he will be calling together a task force on homosexuality comprised of people with personal knowledge and experience in addressing the subject; (2) the “cooperation in externals” report recently produced by Larry Vogel of the Commission on Theology and Church Relations; (3) the decision by Lutheran World Relief to become an independent Lutheran relief agency (4) the “ramping up” of the Lutheran Malaria Initiative campaign in the Synod; (5) the Synod’s fiscal situation, better than anticipated by fiscal year’s end due to efforts throughout the Synod’s structure and further enhanced by the receipt of significant bequest money; and (6) a positive meeting with Thrivent Financials for Lutherans and its focus on helping people be wise financial managers.

Upon completion of the President’s Report, board Chairman Robert Kuhn extended the board’s and the Synod’s thanks to President Harrison and his staff “for the work that has been done in the restructuring task.”

#### B. First Vice-President’s Report

First Vice-President Herbert Mueller called attention to his report (Section A, page 5, attached to the protocol copy of these minutes), providing detail to some of the mentions of preaching and speaking engagements. He spoke in particular of his attendance at the ELCA Churchwide Assembly in Orlando, August 17–19, and of the struggles the ELCA is facing, its withdrawal from partnership in the Lutheran Malaria Initiative, and what he described as a “persistent melancholy feeling” at the Assembly, noting that the recent positions taken by the ELCA are not likely to be reconsidered anytime soon.

He concluded his report with brief comments regarding several of the “Important Topics/Emphases” listed at the end of his printed report: (1) his report to the board regarding the Koinonia Project later in the meeting; (2) recent pastoral ministry colloquy meetings and the work of the colloquy committee; and (3) his thankfulness to God for the opportunity to work at the International Center with the great staff employed there.

As Vice-President Mueller concluded his report, President Harrison took the opportunity to introduce Rev. John Barton Day to the board as the new Executive Director of the Office of National Mission. Rev. Day provided personal background information, spoke of the business of the national mission office, and briefly offered some of his ideas for further involvement of lay persons in the work of the Synod.

#### C. Secretary's Report

Secretary Raymond Hartwig called attention to his printed report (Section A, page 69, attached to the protocol copy of these minutes). After he presented the minutes of the board's May meeting for approval, a motion "to receive the minutes of the May 18–19, 2011 meeting" was introduced and carried. This was followed by motion, introduced and carried, "to enter into executive session for consideration of the executive session minutes from the May meeting."

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### **62X. Executive Session I**

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Upon exiting executive session, Secretary Hartwig noted several items in his report, including matters pertaining to 2013 convention elections and an update on Concordia Historical Institute under the leadership of Executive Director Larry Lumpe. The latter report was followed by the introduction and adoption of the following resolution:

*Resolved*, That the leadership provided by Mr. Larry Lumpe as Executive Director of Concordia Historical Institute be recognized, with thanks to God on behalf of the church.

#### D. Chief Financial Officer's Report

Chief Financial Officer Jerald Wulf called attention to his printed report (Section A, pages 7ff., attached to protocol copy of these minutes) and highlighted portions of the report:

- The financial statements of the Synod for the period ended June 30, 2011, show an increase in Unrestricted Net Assets of more than \$3.6 million compared to the balance at the end of June, 2010, \$2.9 million of the increase due to unrestricted bequest income.
- Due to the reorganization of International Center activity, flexibility will be needed in the budget as costs and resources are necessarily shifted between budget categories.
- According to the KFUE FM sale agreement, an interest payment became due on July 1 of this year. However, the buyer may make that interest payment at any time before July 1, 2012, without additional interest, or may defer payment of year one's interest until the final payment is due, with interest added during the deferral period.

Following discussion of the report, a motion "to receive the report of the Chief Financial Officer" was introduced and carried.

#### E. Chief Administrative Officer's Report

Chief Administrative Officer Ron Schultz called attention to his printed report (Section A, pages 71ff., attached to the protocol copy of these minutes), reviewing its content and calling particular attention to the Recognized Service Organization report (noting that the entire listing of RSOs is available on the board's Internet Portal). He also called attention to the section of the report describing his district visits,

noting the varied ministries of the districts, their expectations of the national office, and their varied operations.

He added the following items to his report:

- An Operations Team has been established as part of the restructuring effort to provide opportunity for regular conversation regarding programs and funding, matching together pieces of International Center operations.
- Thrivent has indicated that the Synod will receive its bloc grant funding shortly.
- A significant part of the reorganization taking place in the International Center will be the moving of offices to facilitate the changes taking place, which will present a financial challenge to cover the cost of these moves.
- Because fundraising policy is the responsibility of the Board of Directors, there will be conversation in this regard in the near future.

CAO Schultz closed his report with information regarding Fall Conference reservation requirements.

### **63. Appointments to Fill Vacancies**

As the board prepared to elect persons to fill vacancies on the Commission on Theology and Church Relations (CTCR) and the Concordia University System (CUS) Board of Directors, board lay member James Carter was welcomed to the meeting via telephone conference for participation in this portion of the meeting.

Chairman Kuhn called attention to the slate of candidates and accompanying information provided by the Bylaw 3.2.5 nominations committee for the vacant lay position on the CTCR: Ray Moldenhauer, Long Prairie, MN; Mark Nispel, Lincoln, NEB; Monique Nunes, Baltimore, MD; Andrea Pitkus, Buffalo Grove, IL; and Karen Soeken, Ellicot City, MD. After opportunity for comments and discussion of the proposed candidates, the first vote taken left the election uncertain due to a spoiled ballot. The chair declared that another vote be taken, and Andrea Pitkus of Buffalo Grove, Illinois, was elected to fill the position on the CTCR vacated as a result of the resignation of Dr. Jean Garton.

The board then turned its attention to the proposed slate of candidates for the vacant ordained minister position on the CUS Board of Directors. After review of the slate provided by the Bylaw 3.2.5 Nominations Committee, a motion was introduced “to return the names to the Nominations Committee with a request for a new slate.” After brief discussion, the motion was adopted.

A motion requested by the chair “to destroy all ballots” was introduced and carried.

### **64. Ann Arbor Discussion**

Chairman Kuhn welcomed representatives of Concordia University at Ann Arbor, Michigan to the meeting for a report on the current condition of the school. Dr. Rusty Nichols, *interim* Chief Executive Officer; Mr. Randy Luecke, Chief Financial Officer; and Rev. David Maier, President of the Michigan District provided the report, with President Maier serving as primary spokesman. The group provided a history of the current challenges faced by the university and their growing recognition of the problems that now threaten the survival of the school. They stressed that the loss of the school would be the loss of a “gem” for the Michigan District as well as the Synod, also acknowledging that effective leadership has been lacking for a time. With such leadership now in place and a growing helpful relationship with Concordia University Wisconsin, they spoke positively of the future of the school.

Using a printed document describing the history of attempts to address problems and provide solutions (attached to the protocol copy of these minutes), the presenters underscored that “all is being turned around” and needs are being addressed through an alliance with Concordia University Wisconsin. They also stressed that while it will take some time to turn things around, their first assessment based upon enrollment figures for the current school year demonstrates that the school is “alive and getting well.” Immediate positive steps are being taken through the school’s athletic programs, with new academic improvement and program development programs anticipated by January 2012.

During the discussion that followed, it was clarified that the alliance with Concordia University Wisconsin, a “handshake agreement” to be evaluated after 18 months, has made it possible to scale back administrative functions and staffing in the back office, resulting in a \$1.1 million advantage for the Ann Arbor school. The current \$2.1 million budget shortfall is being addressed by reductions and increased enrollment, enabling the school to begin capital improvements important for student recruitment. Thanks to resources provided by Concordia Wisconsin, new graduate level opportunities will soon help to address enrollment decline.

The greatest risks faced by the school are, according to the presenters, the continued availability of good leadership, a pressing need for campus maintenance, and the need for restoration of the graduate studies program. They expressed appreciation to the Board of Directors for its actions and requested the board’s support through positive public relations and mutual efforts to eliminate the debt of the school, thereby putting into practice the “life together” advocated throughout the Synod and currently demonstrated by Concordia Ann Arbor’s various efforts to address its challenges.

Following the presentation, representatives from the Concordia University System staff and Board of Directors Audit Committee Chairman Curtis Pohl continued the discussion, offering additional input. A motion “to move into executive session to continue the Concordia Ann Arbor discussion” was introduced and carried.

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#### **64X. Executive Session II**

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Following exit from executive session and noon recess, the chair announced a revision of the afternoon schedule, to begin with the report from legal counsel.

#### **65. Legal Counsel Report**

The chair invited a motion “to move into executive session to receive the report from legal counsel.” The motion was introduced and carried.

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#### **65X. Executive Session III**

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After exiting executive session, the board received reports from the Chief Financial Officer and the Chief Administrative Officer (see agenda item 62 above).

## **66. CrossConnect Project**

Chief Administrative Officer Ron Schultz introduced Aileen Sandoval and Dennis Fangman, who provided a final report (printed copy attached to protocol copy of these minutes) upon completion of the CrossConnect project. Their report included an overview of the project's objectives, finances, and structure; a summary of the project's impact through June 2011; an evolution of the project and its future forward focus, and a discussion of its on-going metrics and accountability measures.

Upon completion of the presentation, Chairman Kuhn conveyed the board's thanks for the presentation and the tireless efforts of those involved in the implementation of the new software systems, calling attention to the resolution adopted by the board in this regard at its May meeting, which included particular recognition of Ms. Sandoval's efforts as Director of Special Projects/CrossConnect Project Manager.

## **67. Koinonia Project**

First Vice-President Herbert Mueller called attention to his August 2011 progress report to the Board of Directors (attached to the protocol copy of these minutes), calling it "a seedling that is just beginning to sprout," noting in particular the stated goal of the project:

*The ultimate goal of the "Koinonia Project" is that we as a Synod, by the grace of God in His Word, are drawn closer to one another and to Christ in the fellowship (koinonia) into which God has called us in Jesus Christ (1 Corinthians 1:9-10). By this process we pray that God grants repentance for sinful behavior and helps us come to clear agreement under the Word of God on 1) various points at issue, 2) what we confess together, 3) what we therefore reject, and 4) what we will, as a result, agree to do together, on the basis of Scripture and our confession (see page 4 of concept paper).*

As he touched on details of the report, he noted in particular the membership of the advisory group that will "begin to broaden the scope of the project and to seek practical ideas for 'putting legs on' the koinonia effort," seven pastors who have agreed to provide assistance:

Rev. Wally Arp, St. Luke's, Oviedo, FL  
Rev. Alan Buss, Immanuel, Belvidere, IL  
Rev. Terry Forke, Montana District President  
Rev. Wayne Graumann, Salem, Tomball, TX  
Rev. Dale Sattgast, South Dakota District President  
Rev. Harold Senkbeil, New Berlin, WI  
Rev. Tony Steinbronn, New Jersey District staff

During discussion that followed, Vice-President Mueller received suggestions for the project as it moves forward.

## **68. 2010 Convention Activities**

Secretary Raymond Hartwig provided a report in two parts (1) to inform the board regarding 2013 Board of Directors elections as a result of changes adopted by the 2010 convention, and (2) to alert the board to efforts underway to alert the congregations of the Synod of significant changes to their preparation for upcoming circuit forums and district conventions.

Regarding (1) Board of Directors elections at the 2013 convention, he outlined the consequences of the adoption of bylaw changes requiring regional elections for five lay board member positions and a reduced number of ordained minister members, resulting in the need for the following board member elections by the 2013 convention:

- After the slotting of current lay board members who will be mid-term at the time of the 2013 convention, two regions will need to be filled by regional nominations and national convention election: West/Southwest Region and Central Region.
- After the slotting of current ordained minister board members who will be mid-term at the time of the 2013 convention into new at-large positions, no elections will be necessary by the 2013 convention.
- Because the current commissioned minister member of the board will be at the end of his term, the election of one minister of religion—commissioned member will be required by the 2013 convention.
- After the slotting of current lay board members who will be mid-term at the time of the 2013 convention, one at-large layperson member will need to be elected by the 2013 convention.
- In addition, the elected members of the board will have the opportunity to appoint up to three at-large lay members to the board in order to obtain additional skill sets as needed.

For (2) the second part of the report, Secretary Hartwig used a PowerPoint review of convention actions and bylaw changes to inform the board regarding major changes in the areas of congregational membership expectations, visitation circuits, circuit forums, circuit counselor elections, mission and ministry emphases, and regional and Synod President elections. He described various efforts underway to provide timely information directly to congregations and pastors.

## **69. Committee Reports**

### **A. Audit Committee**

Audit Committee Chairman Curtis Pohl presented his committee's report to the board (attached to the protocol copy of these minutes). The report included mention of an executive session to receive an update regarding Concordia University at Ann Arbor, Michigan; mention of recommended changes to the Audit Charter that will be submitted to the Policy Review Committee for its review; a summary of the Internal Audit Department's performance report; and discussion of the tardiness of receipt of reports of the Atlantic District's audits.

In discussion that followed, a motion "to move into executive session for further consideration of matters pertaining to Concordia Ann Arbor" was introduced and carried.

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## **69X. Executive Session IV**

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### **B. Policy Review Committee**

Gloria Edwards reported on behalf of the Policy Review Committee, noting that a number of substantive policy changes will be presented for the board's consideration and adoption at its November meeting. In the meanwhile, the committee has provided a "Conformance and Review Version" of the board's policy manual for the board's approval, this version containing no substantive changes other than those resulting

from 2010 convention actions, such as program board references, terminology changes, etc. She then introduced the following resolution on behalf of the committee, which was adopted as follows:

WHEREAS, The LCMS convention in July, 2010 adopted changes to its system of governance that required changes to the policies of the LCMS Board of Directors, including the elimination of program boards and most commissions, the addition of mission boards, and the renaming of the Commission on Structure to the Commission on Handbook, to name a few; and

WHEREAS, Convention actions necessitated publication of a new LCMS *Handbook*, which also includes new and updated bylaw references (numbering); and

WHEREAS, The LCMS Board of Directors Policy Manual contains many references to specific bylaws and now needs to have those references updated; therefore be it

*Resolved*, That the LCMS Board of Directors hereby adopt the Conformance and Review Version of the Board's Policy Manual (attached to the protocol copy of the minutes).

Chief Administrative Officer Ron Schultz brought forward a second resolution proposed by the Policy Review Committee, this for the revision of board policy 5.9 governing the granting of recognized service organization (RSO) status by agencies of the Synod. He explained the reason for presenting these policy changes at the present time rather than waiting until the November meeting, *i.e.*, the need for the granting process to proceed in a timely manner under the bylaw changes adopted by the 2010 convention. After the resolution was introduced by the committee and discussed, it was adopted as follows:

WHEREAS, The LCMS Board of Directors requested a study and review of RSO policies and processes in 2004; and

WHEREAS, The Board of Directors adopted "new" RSO policies in February, 2010 as a result of that study; and

WHEREAS, Significant advances have been made in implementing and working under the revised 2010 processes; and

WHEREAS, That experience has uncovered opportunities to refine and enhance the internal operational processes associated with the administration of the RSO program; and

WHEREAS, Actions of the 2010 convention that eliminated program boards and some commissions necessitate the updating of the RSO policies of the Board of Directors; therefore be it

*Resolved*, That the Board of Directors adopt revisions to BOD Policy 5.9 as contained herein (attached to the protocol copy of the minutes).

### C. Personnel Committee

Personnel Committee Chairman Donald Muchow reported on behalf of his committee regarding the committee's review of the minutes from its February 2011 meeting and the outcomes from its August 24 meeting. The Human Resources Committee will be asked to (1) advise a strategy for the annual publishing of salaries not only of the Synod's elected officers but also other senior executives of Synod entities—if deemed advisable; (2) prepare wording for the Board of Directors Policy Manual that will allow for exceptions to the general process for determining compensation; (3) include representation from

Concordia Publishing House beginning with its next annual meeting, as directed by bylaw; and (4) urge Synod entities to advocate ways for workers to avail themselves of position moves between entities without retribution as appropriate.

The committee chair also reported that his committee recommends that the Board of Directors, as appropriate, formally recognize individuals and groups who have contributed significantly to the restructuring of the Synod, probably at the November 2011 meeting of the board. Finally, regarding the board's appointments to fill vacancies during this meeting, he reported that the committee forwards to the board without comment the slates of candidates for the vacant positions on the Commission on Theology and Church Relations and the Concordia University System Board of Directors as provided by the Bylaw 3.2.5 nominating committee.

#### D. Property Evaluation Committee

Property Evaluation Committee Chairman Keith Frndak reported on the activities of his committee, which plans to meet again in one month to discuss how it should move forward with its responsibilities. He requested the board's input regarding those responsibilities and how diligently and extensively the committee should go about its work.

Discussion followed regarding the intended purpose and scope of the committee's activities. During the discussion, a motion was introduced "that the Board of Directors encourage the committee to continue gathering information regarding all holdings that come under the Synod." This was followed by the following substitute motion, which the board agreed to consider and, after discussion, adopted:

*Resolved*, That the Board of Directors clarify the primary role of the committee to be to list all assets, evaluate the stewardship of those assets, and provide a report to the board.

#### E. KFUO Committee

KFUO Committee Chairman Michael Kumm reported on the review of KFUE operations completed by the committee, a report already submitted to the President of the Synod, who approved the committee's recommendations including the reduction in force of five employees. He noted other changes already made in operations, reported that the streaming of Classic99 is now a part of KFUE operations, and emphasized that changes in programming will result in "distinctively Lutheran radio." The overall goal will be to treat KFUE radio as a ministry that will incorporate "prayer, a family atmosphere, and greater identification with the LCMS family."

He concluded his report by noting that the KFUE building on the Concordia Seminary campus is in need of substantial repair, prompting discussion of a possible relocation of the radio ministry. This and other matters in the report were discussed by the board.

### **70. LCMS Foundation/Lutheran Church Extension Fund Cooperative Efforts Report**

Chairman Kuhn welcomed representatives from the LCMS Foundation and the Lutheran Church Extension Fund (Len Pranschke, Wayne Price, and Rich Robertson), who reported on their response to the board's May 2011 resolution encouraging "substantive conversation regarding opportunities for consolidations or efficiencies of operations" between the two synodwide corporations. They applauded this as a positive action by the board that began an important dialogue.

After the substantive conversation encouraged by the board, they reported learning the following:

- Overlap of services/products of the two synodwide corporations is minimal.
- There is less than three percent overlap in the combined customer base utilizing the services of both entities.
- Backroom/administration savings appear to be minimal due to the differing foci of the entities (loans vs. trusts).
- Legal and financial regulatory concerns offer the greatest challenges.

They also reported that there would be three critical areas that would offer significant challenges to any attempt at a formal merger of the entities:

- Regulatory compliance issues
- The financial impact of a combined entity
- Potential cross-liability concern

After detailing areas of already existing cooperation between the two agencies, the presenters offered “next steps” in going forward:

- The LCMS Foundation, Lutheran Church Extension Fund, and Concordia Plan Services will establish a work group—to include entity presidents—to seek opportunities to further ministry and support membership through a collective approach that enhances services and, at the very least, is cost neutral.
- Entity leadership will give the LCMS Board of Directors periodic reviews of the accomplishments of this work group.

The presentation was followed by extensive discussion.

### **71. LCMS National Housing Support Corporation**

Representatives of the National Lutheran Housing Corporation (Lisa Thorpe, Deborah Rutt, Janet Johnson, Sherri Strand, and Nicole Ridley) introduced the purpose of their appearance before the board—to propose modifications to their corporation’s Articles and Bylaws. As spokesperson for the group, Janet Johnson briefly called attention to the key proposals for change to the documents and offered explanation. During the presentation and discussion, several minor changes were incorporated into the proposed documents, after which the following resolution was introduced and adopted:

WHEREAS, The LCMS National Housing Support Corporation (“National Housing”) is a nonprofit corporation organized and existing under the laws of the State of Missouri and an “agency” of the Synod as defined in the Bylaws (the “LCMS Bylaws”) of The Lutheran Church—Missouri Synod (“LCMS”); and

WHEREAS, In 2003 the LCMS Board of Directors approved the formation of National Housing to assist with the housing ministry efforts of the LCMS; and

WHEREAS, The Articles of Incorporation and Bylaws of National Housing, which were approved by the Board of Directors of the LCMS, provide that the LCMS is the sole member of National Housing and that nothing in the Articles of Incorporation or Bylaws shall be inconsistent with the Constitution and Bylaws of the LCMS; and

WHEREAS, The Board of Directors of the LCMS delegated several of its powers as sole member of the National Housing to the governing board of the Board for Human Care Ministries (“Human Care”), a program board of the LCMS; and

WHEREAS, During its 2010 convention The Lutheran Church—Missouri Synod eliminated program boards such as Human Care; and

WHEREAS, National Housing desires to amend and restate its Articles of Incorporation and Bylaws to eliminate references to Human Care and to include provisions that will facilitate its ability to access certain grants and funds related to its housing mission, and in connection therewith, the LCMS, as sole member of National Housing, has been asked to authorize and approve the amendment and restatement of the Articles of Incorporation and Bylaws of National Housing; and

WHEREAS, The LCMS Bylaws require that the Commission on Constitutional Matters (“CCM”) examine the articles of incorporation, bylaws, and policy manuals of agencies of the Synod such as National Housing; and

WHEREAS, The LCMS Constitution and Bylaws provide that the LCMS Board of Directors is the custodian of all property of the Synod, but allow that certain powers and duties with respect to Synod property may be delegated to an agency of the Synod with direct supervisory responsibility over such property; and

WHEREAS, The Board of Directors desires to approve the Amended and Restated Articles of Incorporation and Bylaws of National Housing, pending CCM examination, and the delegation of certain rights and responsibilities of the LCMS with respect to property and as sole member of National Housing; therefore be it

*Resolved, That:*

1. The Board of Directors hereby approves the Amended and Restated Articles of Incorporation of National Housing in substantially the form attached hereto as Exhibit A [final version is attached to the protocol copy of these minutes], and the Amended and Restated Bylaws of National Housing, in substantially the form attached hereto as Exhibit B [final version is attached to the protocol copy of these minutes], with such changes to those documents as may be requested by the CCM in connection with their examination, provided, however, that the CCM may direct the Board of Directors of the LCMS to review such documents again for approval in the event that there are significant revisions thereto;
2. In connection with the approval of the above-referenced governing documents, the Board of Directors hereby authorizes and directs that the following powers of the LCMS, as sole member of National Housing, are delegated to and shall be exercised by the governing body of National Housing, only to the extent provided therein and in the Amended and Restated Articles of Incorporation and Amended and Restated Bylaws of National Housing, unless and until the Board of Directors or its Executive Committee rescinds such delegation by subsequent resolution; (a) to nominate, elect, and remove a portion of the directors of National Housing as set forth in the Amended and Restated Bylaws of National Housing; (b) to nominate, elect, appoint, and remove the officers of National Housing; (c) to receive, purchase, and own property on a temporary basis and to dispose of such property for purposes of its housing mission consistent with Synod Bylaw 3.3.4.7; and (d) to create or join with other entities in creating subsidiary or affiliated

- entities for the purpose of carrying out its activities as set forth in Article II J of the Amended and Restated Articles of Incorporation of National Housing;
3. This resolution shall be in full force and effect after the CCM completes its examination of the Amended and Restated Articles of Incorporation and Bylaws of National Housing; and, finally,
  4. The Board of Directors of National Housing and its officers, agents, and employees are hereby authorized and directed to take such further action and to approve and execute such other documents, certificates, and instruments as may be necessary or desirable to carry out and comply with the intent of this resolution.

## **72. Action Items**

### **A. Concordia Irvine Bond Refunding**

Chief Financial Officer Jerald Wulf provided background information regarding this proposed action that was submitted by Alan Borchering on behalf of the Concordia University System. Concordia University Irvine has issued bonds on two occasions in the past: (1) Series 2001 tax-exempt and taxable bonds through the California Statewide Communities Development Authority; and, because of legal uncertainties in California that were created by a court decision impacting religious-sponsored borrowers, (2) 2005 tax-exempt bonds through the Colorado Educational and Cultural Facilities Authority.

Both series of bonds were issued as variable-rate bonds remarketed daily and credit-enhanced with an annually renewable US Bank Letter of Credit enabling the interest rate to be set based upon the credit rating of the bank. While US Bank serves as the Letter of Credit bank, it currently syndicates approximately one-half of the credit risk to Farmers & Merchants, First National Bank, and LCEF.

Since the California bonds were issued in 2001, the LCMS has supported Concordia University Irvine by providing a guarantee to US Bank. Based upon the school's strengthening financial position, a longer term and more favorable financing structure is being sought, anticipated to save \$150,000 to \$200,00 per year in bank fees. While the current letter of credit could be extended for three years or current bond issues could be amended without Board of Directors action, the following approach is preferred.

US Bank is willing to "refund" (*i.e.*, "refinance") the 2001 and 2005 bond issues with a single new Series 2011 bond financing using a California issuing authority, which would reduce some of the university's ongoing fees and expenses. US Bank is also proposing to convert the bonds to a Private Placement mode, which would allow the bank to purchase the bonds for its own accounts, which will offer the following advantages to Concordia University Irvine:

- US Bank is offering a five-year term with the Private Placement, which will result in less renewal risk than recent annual renewals and the three-year Letter of Credit option presented by US Bank.
- The Private Placement structure will involve less credit risk when compared to variable-rate bonds enhanced with a Letter of Credit.
- Private Placement refunding should save Concordia University Irvine \$75,000 to \$100,000 over the term of the financing.

The guarantee by the Synod would still total \$22.87 million. The remaining terms of approximately 20 years (tax exempt portion) and four years (taxable portion) and amortization (currently approximately \$800,000 per year) would also remain the same.

The following resolution was introduced and, after brief discussion, adopted by the board:

*Resolved*, That the LCMS Board of Directors approve the request from Concordia University Irvine to refund (*i.e.*, refinance) its Series 2001A bonds, its Series 2001B bonds, and its series 2005 bonds into a single California bond issue and permit Private Placement.

#### B. Net Assets Designation for National Youth Gathering

Chief Financial Officer Jerald Wulf introduced the following action item, explaining that in the past, the Board of Directors has designated net assets equal to the amount of excess revenue over expenses from the National Youth Gathering for use by future gatherings. The excess of revenue over expenses following the 2010 gathering totaled \$28,431.

After his explanation, the following resolution was introduced and adopted without discussion:

*Resolved*, That the Board of Directors authorize the designation of unrestricted net assets of an additional \$28,431, to be added to the balance of Unrestricted Net Assets designated for future National Youth Gatherings.

#### **73. Funding the Mission Report**

Chief Financial Officer Jerald Wulf, tasked by the board with the responsibility for facilitating the board's review of the recommendations of the Funding the Mission Task Force, called the board's attention to three of the task force's recommendations, noting that this process will continue over the next four meetings.

- Recommendation 7, "Higher Education Support," advocated that "the 2007 convention support with appropriate bylaw changes the current efforts to increase the number of regents and/or advisors on our seminary and university boards through local appointments/elections." CFO Wulf noted that this recommendation has already been implemented by 2007 Res. 5-03A (increasing the membership on boards of regents) and 2010 Res. 5-09B (specifying qualifications for board of regents members).
- Recommendation 10, "Synod/District Fiscal Conference," advocated that a fiscal conference of Synod and district leaders be called once every three years to "determine the annual total amount of unrestricted dollars to be submitted to the national budget by the 35 districts," to "decide the fair share of each district" toward the total amount, to "plan ahead 3 years in advance to aid in district/Synod planning," and to "gradually increase the total amount submitted to a level of at least \$25 million by 2017." CFO Wulf questioned how 2010 Res. 8-07 regarding district realignment might affect this recommendation, noting also that there is no current budget allotment for such a fiscal conference, that 2014 might be the "next practical opportunity," and that the last such conference in 2007 failed to produce the desired result.
- Recommendation 11, "Improved Congregational Support," called on the Synod to provide to each congregation "the kind of information that allows them to re-evaluate the blessings and the responsibilities" of membership in the Synod. CFO Wulf noted that this recommendation and Recommendation 10 should be implemented simultaneously if either is to be successful.

The board discussed the presentation and possible implementation of the recommendations. It was concluded that the fiscal conference is worth working toward, accompanied by efforts to improve communication with district, congregations, and the people in the pew. It was suggested that the President of the Synod give thought to including reference to this subject in his report to district conventions.

After a noon recess and upon reconvening for the final session of the meeting, the President of the Synod requested opportunity to discuss a sensitive international matter. A motion “to move into executive session” was introduced and carried.

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### **73X. Executive Session V**

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Upon return to open session, Chairman Kuhn invited representatives of the International Lutheran Society of Wittenberg to make their presentation.

### **74. Wittenberg Discussion**

International Lutheran Society of Wittenberg (ILSW) representatives David Mahsman, Samuel Nafzger, and Tom Kuchta, joined by Larry Crume (Lutheran Church Extension Fund) and Wayne Price (LCMS Foundation) provided a report of the history of the Wittenberg Project leading up to a request to the Board of Directors for the authorization of up to \$75,000 in unrestricted funds for a fundraising feasibility study.

Should the result be a successful fundraising feasibility study, they then described the next stages for the completion of the “Martin Luther Experience” interactive museum. Samuel Nafzger again spoke of the importance of the project, which would give the LCMS and its partner church in Germany a prominent place in the 2017 celebration of one of the major events in the history of the world, the Lutheran Reformation, and an opportunity to tell the Gospel story “as we will want to tell it.” Tom Kuchta spoke regarding financial issues, emphasizing that fundraising will be critical and key to the project, which is anticipated to provide sufficient cash flow from operations to remove all debt incurred.

Following the presentation, the board continued its discussion of the request. After extensive discussion, the chair ruled that “no action taken will allow matters to develop as they will.” He then moved the meeting forward with the next item on the agenda.

### **75. National Office Program Structure**

President Harrison called on Human Resources Executive Director Val Rhoden-Kimbrough for a report on the restructuring effort within the International Center. In her report, she noted in particular the efforts that have been underway to help the staff through this uncertain, even traumatic time:

- Pre-convention concerns regarding staff ramifications of convention restructuring decisions were elevated with the passage of 2010 Res. 8-08A. Concerns over timeline, budget, and communication of decisions impacted employee morale despite the thoughtful and prayerful approach that was used.
- The first round of position eliminations announced in October indicated progress being made but also adversely affected employee morale and acceptance of the process. Tension was not lessened as additional position eliminations were announced, as employee headcounts dropped from 425 as of September, 2010 (280 employees and 145 missionaries) to 336 as of August, 2011 (215 employees and 121 missionaries), these reductions the result of reductions in force, voluntary early retirement opportunity, vacancies, and attrition.
- The formation of a Restructuring Work Group in January, 2011, led to increased employee involvement, enhanced communication, and better understanding, boosting support for the

restructuring underway. Employees were better prepared to handle the limited number of later position eliminations, grateful that the overall number of reductions was less than projected.

- Employee forums to introduce the new structure were held in May, 2011, and morale and engagement continued to improve as Phase 1 of the restructuring effort drew to a close and the planning for the transition to the new structure intensified with the July 1 new fiscal year.
- The creation of a Phase 2 Restructuring Work Group to work on defining the details of the new structure and changing management and a Change Network group to communicate the initiatives underway from the employees' perspective helped to increase employee engagement and focus on the future.
- Regarding the current state of affairs, there is now a collective focus on fine tuning and supporting the new structure through relocation of personnel. The broader base of employees involved in the efforts has increased morale and optimism. Critical vacant positions are being filled to complete the structure.

After discussion followed the presentation, the chair expressed the board's appreciation for the report and for the efforts of all involved, especially the Human Resources Department, to help the transition proceed as smoothly as possible.

#### **76. Closing and Adjournment**

After chairman Kuhn called for any further business, the importance of making travel plans to allow attendance for the entire meeting was noted. Chief Administrative Officer Ron Schultz surfaced several housekeeping matters, calling attention to the time allotted on meeting agendas for Q & A and inviting submission of such matters, and informing board members that they will be receiving notice for submission of board agenda items approximately six weeks prior to all future meetings.

After the chair expressed appreciation to the members of the board for their faithful attendance and commitment to their responsibilities, he welcomed a motion to adjourn the meeting. A motion "to adjourn the meeting" was introduced and carried, and the meeting was closed with prayer.

Raymond L. Hartwig, Secretary