



SEVENTH-DAY
ADVENTIST
CHURCH

General Conference
World Headquarters

October 5, 2009

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Gentleman:

Thank you for your letter of enquiry dated July 31, 2009 regarding investments in LifePoint a micro-cap company. I apologize for the delay in answering as I have been out of the office since your letter was referred to me for answer in early September.

In response to your basic question about integrity and whether transparency regarding this investment has been practiced I would note that this was not buried in financial reports nor glossed over in responses made by this office. This matter has not been concealed from accountability and lessons have been learned from this investment. Policies and procedures have changed to reflect the lessons learned. This matter was fully disclosed and discussed with the General Conference Investment Committee, and was reported to the General Conference Executive Committee. It was also reported to the General Conference Audit Committee in 2003 and again in 2005.

General Conference Investment Policy was revised to reflect a preference for pooled investment vehicles as these offer a greater degree of diversification which has over the years proven to be a valuable tool in the management of risk. Asset allocation requirements were strengthened for investments as they also enhance diversification and the management of risk. The relevant General Conference investment committee voted that if there are any further investments in venture capital / micro-cap companies they be made as pooled or mutual fund type investments.

The initial investment in the publicly traded company that evolved to become LifePoint in its early stage of operations was made in 1994 and additional amounts were invested over the next eight years with the last investment being made in 2002 which was the referenced \$2,500,000 which was converted to common stock. The total invested in LifePoint was \$ 7,489,251 with \$ 599,072 recovered from sale of stock. By December 31, 2004 the General Conference wrote the LifePoint investment down to nominal value. When the company made the assignment for the benefit of its creditors the General Conference wrote off the balance of its investment of \$ 6,890,179.

Microcap investments were limited to approximately one percent of the investment pool managed by the General Conference. A one percent allocation according to pension and endowment industry studies indicates that the General Conference relative to this peer group would be underweighted in this area.

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With the large sums under investment, there are instances where some investments will produce positive and others negative results. With the volatile financial markets over the past years, diversification has played a key role in keeping investments from suffering significant deterioration in value. This last downturn was an exception when diversification was not as effective as it has been historically.

In summary, investments were made in several micro-cap companies which produced mixed results. Again let me state that subsequent to the investments in this small, private company, the Church's investment policies were refined and we no longer invest directly in such companies.

Regards,

A handwritten signature in black ink, appearing to read 'Roy Ryan', written in a cursive style.

Roy Ryan
Associate Treasurer
General Conference of Seventh-day Adventist